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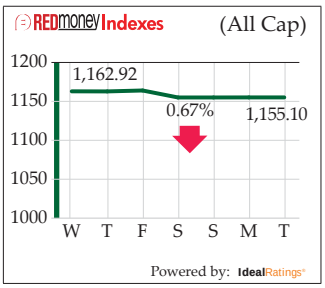

COVER STORY

30th November 2016 (*Volume 13 Issue 48*)

A new trend in property investment: The growth of Islamic REITs in the Gulf

The virtues of real estate investment trusts have long been extolled by their exponents. But Islamic investors have been surprisingly reluctant to participate, and so far most of the activity has been in Southeast Asia with few funds venturing into the Middle East. Lately, however, all these have changed, with new regulations and pioneering players shifting the face of property investment in the Gulf. LAUREN MCAUGHTRY talks to the game-changers.

Offering ownership of property without the hassle of managing it, along with long-term growth prospects, diversification benefits, a steady income stream and the non-taxation of dividends, the attraction of Islamic REITs seem clear. In fact however, the number of Shariah compliant funds in existence could almost be counted on the fingers of both hands. Malaysia established its Al-Aqar Healthcare REIT in 2006, followed by Axis REIT and KLCC REIT — and Singapore's Sabana REIT set up in 2010 claiming to be the world's biggest Shariah compliant REIT. The Al Hadharah Boustead REIT delisted from Malaysia's stock exchange in 2014.

Slow growth

Over in the Middle East, Kuwait made an attempt to follow suit in 2007 with the Al Mahrab Tower REIT, which has funded several real estate projects including the Al Safwa Towers in Makkah, but is not yet listed on the stock exchange. Bahrain saw the launch of the Inovest REIT in 2009 followed by the Al Salam Asia REIT in 2014; while in the UAE, asset manager Eiffel Management (now rebranded as Equitativa Group) introduced Emirates REIT in 2010 and bought out Dubai Islamic Bank in 2015 to become full owners of the fund manager.

Qatar established Regency REIT in 2009 (although the fund is cross-border and listed on the Singapore Stock Exchange despite investing in Qatari property) and the Qatar Stock Exchange suggested earlier this year that more could be on the way.

Yet while many of these have claimed to be "the world's first Islamic REIT", few have achieved any significant size — many markets have seen the launch of just one or perhaps two funds to great fanfare, followed by a quiet petering out of activity. In addition, Islamic REITs have often achieved less traction than their conventional counterparts — for example, in September 2015 the Qatar Investment Authority invested US$150 million in US-based Apollo Commercial Real Estate Finance, just the latest instance of a high-profile Gulf investment in a conventional rather than Islamic vehicle.

Limitations

So why have Islamic REITs struggled to attract interest in the GCC region — and what is changing this year? One reason has been regulation — although both the UAE and Saudi Arabia introduced REIT regulations back in 2006, these were not viewed as very investor-friendly, while Kuwait introduced the CMA Law in 2010 that restricted the market to equity REITs, and other countries have only just got round to regulating the sector at all — the Qatar Financial Markets Authority introduced a REIT Decision earlier this year and Saudi Arabia only approved the listing of REITs in January 2016. Restrictions on foreign ownership raise another challenge — Dubai's 49% limitation poses an inevitable challenge, for example.

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NEWS

IDB to support Nigerian agriculture sector via US$35 million investment in Jigawa

IDB and Benin sign MoU to develop Islamic finance industry and support economic expansion

Bank Syariah Mandiri gets IDR500 billion (US$37.2 million) capital injection from parent bank; plans Sukuk sale in December

Filipino parliament approves bills seeking to expand Islamic banking

Shariah compliant securities now account for 74% of total listed securities on **Bursa Malaysia** following inclusion of 34 newly classified securities

IDB and **Borsa Istanbul** collaborate to promote Islamic finance in Turkey

Islamic Bank of Thailand transfers bad debt; to issue new shares to boost capital

Affin Islamic Bank to provide RM4 million (US$897,968) to **ICT Zone Ventures** for Islamic Account Platform venture

Cagamas targets total Islamic and conventional financing of RM10.5 billion (US$2.36 billion) in 2017

Indonesia's listed Islamic securities increase to 345 during second half of 2016 from 321 securities

Pakistan's Islamic banking assets grow to PKR1.79 trillion (US$16.85 billion) at the end of September 2016

RFI Foundation partners with **United Nations Environment Program Finance Initiative** to support greater engagement by Islamic financial institutions on environmental issues

AAOIFI approves Shariah standard on gold and its trading controls

Bank Albilad and **Western Union** launch online money transfer service

The Philippines and Iran to establish banking ties

ASSET MANAGEMENT

Rasmala Egypt plans to boost assets under management by 25% by the end of 2017 with new products including a new mutual fund

Arcapita acquires new US senior living portfolio for US$110 million

Mirae Asset Global Investments launches maiden Shariah equity fund

Amana Wealth Management licenses **IdealRatings Boursa solution**

TAKAFUL

Union National Bank to establish new Takaful operator in partnership with **Orient Insurance Company**

Crescent Takaful Sacco opens new branch in Wajir town

Takaful Emarat eyes acquisition of local Takaful and insurance firms to push up margins

RATINGS

Moody's affirms **Kuwait Investment Company**'s 'Ba2' rating with a stable outlook

RAM downgrades **Al Bayan**'s Sukuk rating to 'C1(s)'; outlook remains negative

MARC affirms 'AAAIS(fg)' rating on **Symphony Life**'s Islamic medium-term note program

AM Best affirms **Malaysian Reisurance**'s financial strength rating and long-term issuer credit rating with positive outlook

Fitch assigns 'A' rating on **Unity 1 Sukuk**'s Sukuk program

MARC affirms ratings on **Bank Muamalat Malaysia** and its senior Sukuk at 'A/MARC-1' and 'AIS' respectively

RAM reaffirms **RHB Islamic Bank**'s financial institution ratings and Sukuk rating

Capital Intelligence affirms Turkey's long-term ratings at 'BB+' and short-term ratings at 'B'

RAM reaffirms **Perbadanan Kemajuan Negeri Selangor**'s Islamic commercial paper and Islamic medium-term note programs at 'AA3/Stable/P1'

Bank Islam maintains 'AA3/Stable/P1' ratings based on healthy asset quality indicators and improved capitalization

RAM reaffirms negative rating outlook on **Country Garden Real Estate**'s Islamic medium-term note program

Jordan maintains 'BB-' long-term foreign currency rating with a stable outlook

MOVES

Salama Cooperative Insurance Co appoints Omar Al Ajlani as new chief

Abu Dhabi Islamic Bank Egypt appoints acting CEO

Alawwal Bank names Soren Nikolajsen as new managing director

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A new optimism

Recently however, things have been looking up. In the UAE, Emirates REIT now claims to be the largest publicly listed Shariah compliant REIT in the world by both assets and market capitalization. As at the 31st October 2016, the fund's total portfolio was valued at US$742 million. It generated property income in the first nine months of 2016 of US$36.3 million, up 22% from US$29.8 million in the same period in 2015, while its net asset value (NAV) currently stands at US$482 million or US$1.61 per share. The REIT owns nine properties in Dubai, with 61% of its income generated from commercial assets, 21% from education assets and 11% from retail assets — and has soaring ambitions for the coming year. We spoke to CEO Sylvain Vieujot to find out more.

> ***"Shariah compliance opens the REIT to a wider investor universe as both conventional and Shariah compliant investors can become shareholders in the REIT"***

"Emirates REIT has dry powder to make investments up to AED800 million (US$217.74 million) and we are constantly assessing acquisition opportunities across the UAE in order to grow our portfolio," he confirmed. "Equitativa Group, the holding company of the REIT manager, is currently active in exploring new real estate investment products and has incorporated new REITs which are in the process of receiving their first assets."

The REIT primarily sees demand from institutional, high-net-worth and retail investors from multiple geographies, attracted by the high dividend yield and continued growth in portfolio NAV. "As a REIT, our primary consideration is to ensure a steady cash flow base from a portion of our portfolio to enable dividend distribution and allow for value upside from the rest of the portfolio," explained Vieujot. "The education sector falls under the secure cash flow category given that school properties are usually fully leased under long-term contracts. We are also particularly excited about this sector given that demand for K-12 education and campus facilities remains robust in the UAE and we recognize the long-term strength of the sector and its importance to the overall economy. Office buildings that complement our portfolio and income diversification strategy are also on our radar."

Islamic advantage

And despite the various challenges, structuring the Emirates REIT as a Shariah compliant vehicle has brought advantages rather than problems. "Shariah compliance opens the REIT to a wider investor universe as both conventional and Shariah compliant investors can become shareholders in the REIT. Second, it introduces a set of regulatory controls that limit risk and ensure that the portfolio assets are operated in a manner than is in line with community values in this region," Vieujot elaborated.

Vieujot believes that in fact, it is not Islamic REITs that have struggled to grow in the Gulf, but the asset class overall. "REITs in general, whether conventional or Shariah compliant, take some time to develop because sponsors need to build up a sizeable and well-managed portfolio of property before listing. REITs saw their debut in Asia in the early 2000s and only recently began expanding to other emerging markets — with Emirates REIT being the first such structure in the region. Today, Emirates REIT is not only the largest Shariah compliant REIT in the world, but also the largest REIT in the Middle East."

Regulation and education

The key, as always, is education — but the size of the Emirates REIT already demonstrates a significant appetite among both institutional and retail investors for exposure to income-producing real estate in the GCC region. And it looks as if regulation is finally catching up to this potential. In the UAE, a recent Ruler's Decree has allowed REITs to invest in onshore assets in Dubai, while another decree has enabled onshore investment in Ras Al Khaimah. The Dubai Ruler's Decree was only for the benefit of Emirates REIT (and not REITs in general), while the RAK decree was only for the benefit of Equitativa REITs. But other countries are also getting in on the act. In May this year, Bahrain's stock exchange established new listing rules for REITs, including a minimum requirement of two properties with a combined asset value of above US$20 million, regulation by the Central Bank of Bahrain (CBB) and a dividend payout ratio of at least 90% of net realized income.

The new rules have already seen an Islamic fund launch into the market. The Eskan Bank Realty Income Trust (REIT) opened its BHD14.4 million (US$38.8 million) IPO on the 22nd November and will close on the 6th December, representing 72.9% of the total BHD19.8 million (US$53.4 million) trust, with a target of 6.5% semi-annual dividends. Khalid Abdulla, the general manager of Eskan Bank, praised the role of the Bahraini authorities in enabling the REIT to come to market. "This has been made possible by the proactive roles of the CBB and the Bahrain Bourse. Both are further developing the regulations concerning investing activities that will lead to capital market growth," he commented at the launch. "This underlines the keen interest we have witnessed from property developers and managers in REIT as an alternative investment option, and also among investors who would benefit from investing in property as an asset without directly owning and managing the property. The introduction of the REIT listing rules will facilitate investment in productive assets and benefit all involved stakeholders," he noted.

Eskan Bank appointed Securities & Investment

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Company (SICO) as the lead arranger for the REIT, which is reserved for Bahraini and GCC nationals, while Bahrain Islamic Bank was appointed as the receiving bank. Najla Al Shirawai, CEO of SICO, spoke to IFN on her outlook for Islamic REITs in the GCC. "Real estate as an asset class bodes well in terms of Shariah compliance, as Islamic banking is usually based on asset-backed transactions," she explained. "Furthermore, this specific REIT is unleveraged, making it a more straightforwardly compliant structure. We generally see higher demand with Shariah compliant products as our investor base widens to include both conventional and Islamic institutions."

However, she accepts that REITs in general have been slow to take off in the region. "This is primarily due to the late adoption of retail regulatory rules and regulations for REITs. The potential is quite sizable however, given the current low interest environment and investors' appetite for income-generating assets with low volatility. The more jurisdictions that implement REIT regulations, the larger the overall pie for such assets becomes. Investors will be further exposed to this asset class and there will be sufficient depth in the market to dedicate a certain percentage portfolio allocation to this segment. Furthermore, REITs can obtain further diversification with exposure to other REITs in the region."

New markets

As the asset class develops, new markets are recognizing its appeal. For example, IFN can confirm that the Capital Market Authority (CMA) of Oman is currently finalizing its new draft Real Estate Investment Trust (REIT) Fund Regulation, which is benchmarked against international best practices.

Although there is no specific REIT Regulation yet in Oman, the existing Investment Funds regulatory framework already allows for the setting-up of any collective investment scheme, including the establishment of a conventional or Islamic real estate investment fund with some minimum requirements. This can be seen with the recent launching of the Izdihar Real Estate Fund by Bank Muscat, listed on the Third Market of the Muscat Securities Market. Nevertheless, a specific REIT Regulation would provide further clarity to the market, acting as a catalyst for more REIT issuances in the market.


Kemal

> ***"The growth of Sukuk issuances alongside Islamic funds will see the channeling of funds into infrastructure development and manufacturing industries, while diversifying the financing base and risk away from the traditional banking sector"***

"The CMA will be putting in the relevant trust requirements in the proposed REIT Regulation, similar to what was done for the Sukuk Regulation in relation to the setting-up of a trust structure for a Sukuk, if the issuer wishes to use a trust structure for the REIT," revealed Kemal Rizadi, an expert advisor to the CMA of Oman, to IFN. "We are targeting to issue the draft REIT Regulation for public consultation before the end of December 2016."

The development of the REIT industry has also been approved by the Oman government as a priority project in the recent conclusion of the Tanfeedh (National Program for Enhancing Economic Diversification) session as part of the government's strategy in diversifying the economy, looking at alternative financing for economic development, and attracting foreign investments into Oman.

"The growth of the Islamic fund management industry, including the launching of more Islamic REITs, will also create additional demand for more Islamic instruments as investment avenues and develop the real estate sector for economic activities," predicted Kemal. "This will also create more opportunity for issuers, while adding more depth and breadth to the Islamic financial market in Oman. The growth of Sukuk issuances alongside Islamic funds will see the channeling of funds into infrastructure development and manufacturing industries, while diversifying the financing base and risk away from the traditional banking sector."

The road ahead

So what can we expect for the future of Islamic REITs in the GCC? As regulation progresses and new markets join the trail, the future looks positive — and with the real estate market picking up and a renewed focus from investors on diversification and income yields in the wake of the downward pressure on oil prices, REITs should be an increasingly popular portfolio component.

"The recently published regulations allowing the formation of REITs reflect the growing interest in this asset class and the importance of these funds in providing liquidity to real estate markets. We believe that these regional developments are very beneficial in educating investors and will boost both retail and institutional investment in regional REITs," confirmed Vieujot. "As Islamic finance continues to develop and investor demand for Shariah compliant products increases, REITs will be at the forefront of investment vehicles that enable investors to access a diversified and stable real estate portfolio that is managed in accordance with Islamic finance principles."

EPF's Simpanan Shariah — what is the outlook?

As the Islamic capital market in Malaysia continue to progress and reinforce its position as the global hub for Shariah compliant finance, the country's pension fund saw its Simpanan Shariah 2017 reach a take-up rate of 50.25% from the initial allocation of RM100 billion (US$22.61 billion) since the scheme opened for registration in August. While the fund was touted with a strong sense of optimism, questions remain as to how much of local assets will the fund be able to invest in, and if the size of the Malaysian market is large enough to accommodate the fund's demand. DANIAL IDRAKI takes a look at the situation.

The Employees Provident Fund (EPF) has come a long way for its Islamic assets to reach 45% of total assets, as compared with only 15% in 2010, yet the Malaysian market has had a hard time in keeping up with the rapid rise in demand for Shariah compliant products.

> ***"When we place deposits with Islamic banks locally, for example, the limits are often exhausted as they are not big enough for us. The EPF, as a wholesale investor, needs partners who are equivalent to our size"***

"We do face some challenges in investing in alternative assets, as well as properties. We have no problems investing in asset classes such as Sukuk, equity and cash," Ja'afar Rihan, the general manager of the Islamic Investment Development Department at the EPF, shared with an audience at a recent forum in Kuala Lumpur. According to data compiled by the Securities Commission Malaysia, Islamic assets under management (AUM) stood at RM138.47 billion (US$31.09 billion) as at June 2016, which makes up 20.5% of total AUM in the Malaysian market at RM676.27 billion (US$151.82 billion).

"In terms of alternative assets, it is relatively new and there aren't that many players in the market that can offer us a viable proposition. However, we take it as a challenge and I believe that the demand will create the supply," Ja'afar added. He explained that when the EPF decided to get involved with Simpanan Shariah, it was done with the intention to support Malaysia as a global hub for Islamic finance and had the future of the industry in mind. Without any existing benchmark in the market, he noted that the EPF has the advantage of being the first mover in terms of setting up the rules and requirements for the fund, and foresees others following suit in the future.

Ja'afar told IFN when contacted that the EPF is also facing a challenge in finding the right partner with a proven track record of more than three years in providing reasonable returns. "When we place deposits with Islamic banks locally, for example, the limits are often exhausted as they are not big enough for us. The EPF, as a wholesale investor, needs partners who are equivalent to our size," he explained.

As the local Malaysian market is deemed not large enough for the EPF to invest in, the natural course of action would be to source for Shariah compliant assets overseas. This, however, has now become another set of challenges of its own for the EPF, given the rapid decline of the ringgit against the US dollar as emerging markets globally were hit with a massive sell-off after Donald Trump was elected the 45th president of the US, and with markets facing a possible Federal Reserve rate hike in December. The ringgit has been one of the main casualties from the rising yields in the US, making it one of the worst-performing Asian currencies over the past month, and now hovers at the 4.4 level per US dollar.

Ja'afar noted that the EPF is actively searching for global properties to invest

in, but the situation is now "quite challenging", and buying foreign assets in US dollar terms has become more expensive for Malaysia-based investors as the depreciating ringgit shows no signs of abating as yet. Despite the gloomy outlook of the ringgit, the currency has somewhat stabilized against the pound sterling and the near term could be a great opportunity for the pension fund to acquire real estate assets in the UK, which is increasingly becoming attractive for global Shariah investors. Since the UK voted to leave the EU, the pound sterling has depreciated to a 31-year low with the ringgit hovering at the 5.5 level.

The UK's real estate sector is not unchartered waters for the EPF, having acquired a 20% stake in the GBP400 million (US$498.96 million) Battersea Power Station deal in 2012. Earlier this year, the pension fund acquired a portfolio of industrial and logistics assets from IM Properties for close to GBP200 million (US$249.48 million), as well as disposing of One Sheldon Square at Paddington Central, London to British Land Co for GBP210 million (US$261.95 million) in April 2015. The property was acquired by the EPF in 2010.

While there is no doubt that asset managers in Malaysia will introduce more innovative products in the near future for the EPF to invest in, the current size of the Malaysian market appears inadequate to meet the Shariah needs of the pension fund. Should the ringgit continue to weaken against the US dollar and remain stable against the pound sterling, the timing would be ripe for the EPF to increase its exposure to the Shariah compliant real estate market in the UK, as the pension fund searches for reasonable returns beyond its domestic borders.

UK government looks to build new trade relationships following change in leadership

The UK has seen a dramatic shake-up over the past year with not only a change in leadership but a change in direction — including what many view as a more inward-focused approach with the results of the July referendum demonstrating a majority in favor of leaving Europe and controlling UK borders. But what does this mean for Islamic finance — a sector that the UK authorities have long attempted to encourage? LAUREN MCAUGHTRY brings a brief update on the latest news.

There is a lot happening in the UK market, not all of which we can cover here and not all of which directly targets Islamic finance — although there are many developments that impact the industry on a tangential basis. Most recently and most prominently however, the new chancellor, Philip Hammond, released his Autumn Statement — a precursor to the upcoming budget and his first formal budget speech in his new role.

With unsurprising optimism, Hammond noted that the IMF has predicted the UK to be "the fastest-growing major advanced economy in the world this year" with employment at a record high and strong highlights in manufacturing, science and the corporate market.

But as well as a domestic focus, the chancellor also made some interesting updates on the UK's international trade position — and while no direct mention was made of Islamic finance, it is worth noting that as the UK separates itself from Europe, it will inevitably be placing renewed focus on new relationships and seeking to build bridges with new partners.

A key measure in the Autumn Statement was the announcement that financial support for UK exporters would double through UK Export Finance (UKEF), especially (IFN has learned) toward focus markets in the Middle East and especially GCC countries. The Department for International Trade will also receive GBP79.4 million (US$99.12 million) to develop and deliver an independent international trade policy, while additional funds for the export credit agency will ensure that the private sector receives ample support to break into new markets overseas. "Leaving the EU presents the UK with new opportunities in trade and investment," said International Trade Secretary Liam Fox. "This settlement ensures we're able to support more UK exporters, attract more overseas buyers and strengthen our capability to develop and deliver an international trade policy."

UKEF will also see its total risk appetite double to GBP5 billion (US$6.24 billion) while the maximum cover limit for individual markets will increase by up to 100%, potentially resulting in as much as GBP2.5 billion (US$3.12 billion) of additional capacity to support exports. Additional resources of up to GBP26 billion (US$32.45 billion) to strengthen trade policy capabilities will also be allocated.

Most interestingly, UKEF has also quadrupled its number of approved local currencies (from 10 to 40) enabling more overseas buyers to access goods and services in their own currency. New currencies include the Malaysian ringgit, the Bahraini dinar, the Egyptian pound, the Indonesian rupiah, the Kuwaiti dinar, the Omani rial, the Qatari rial, the Saudi riyal, the Turkish lira and the UAE dirham — demonstrating a clear gesture toward building new trade relationships with Islamic markets.

"This flexibility will be hugely attractive to overseas buyers," said Louis Taylor, CEO of UKEF. "It will allow them to buy British and pay in their local currency, and give UK exporters a clear competitive advantage."

> ***"Financial support for UK exporters would double through UK Export Finance (UKEF), especially (IFN has learned) toward focus markets in the Middle East and especially GCC countries"***

In the current circumstances this might sound optimistic, but it certainly emphasizes the importance to the UK of developing new trading relationships with overseas markets — and could represent a compelling opportunity for investors seeking value.

The UK authorities have not forgotten about Islamic finance, and it is a market that is gaining traction both domestically and in terms of international activity despite (or perhaps because of) the recent turmoil. So watch this space, because for anyone interested in the UK and Europe, some exciting things are coming up in 2017.

Straight to Web Feature

Justifications of avoiding Riba (Part VIII): The Ponzi scheme

The Ponzi scheme was named after Charles Ponzi who assured people of supernormal profits from their investments without being involved in any profitable real investments. He was involved with such fraudulent activities in 1920 when he defrauded investors amounting to US$15 million, which is equivalent to more than US$150 million today. Later his fraudulent activities unfolded and he was caught and sentenced to prison. After finishing his sentence, he went back to his motherland Italy and started working with the dictator Benito Mussolini. But Ponzi's luck did not favor him and he was eventually fired. Ponzi died penniless in Brazil but his name is still associated with similar schemes all over the world. In this article, MABROOR MAHMOOD will discuss the features of the Ponzi scheme, how it worked, why it failed, what could make Ponzi successful in his scheme, and how this scheme is related to a Riba-based structure.

To read the full article, log on to www.islamicfinancenews.com.

Lack of intermediary engagement restricting Takaful growth

The failure of the insurance industry to communicate the availability and capacity of Islamic insurance is restricting the growth of the industry despite strong demand for Takaful coverage, a study has found. VINEETA TAN reports.

Surveying potential Islamic insurance buyers worldwide, the Islamic Insurance Association of London (IIAL) found that almost half of the respondents were not offered the option of Shariah compliant coverage by their brokers when it comes to placement or renewal discussions, reflecting a stark gap when it comes to communication between customers and intermediaries. This also suggests missed opportunities as a majority of the survey respondents indicated their preference for Islamic insurance products, should the instruments match their risk profile.

"While the fact that 70% of those questioned say they would prefer to buy an Islamic insurance product, the results of the survey are clear on the fact that the industry has to do more to communicate the availability of the capacity and its ability to match the price of conventional covers," said the IIAL, adding that while price remains a key proposition for consumers, this can be countered as there is a willingness to buy Islamic covers if available and the cost is not prohibitive.

> ***"The IIAL confirmed that it is currently addressing the need for the simplification and clarity of wordings for Islamic policies"***

Intermediary engagement aside, the lack of Takaful take-up is also due to the poor understanding of such policies, largely because of the complexity of terms and conditions: The IIAL confirmed that it is currently addressing the need for the simplification and clarity of wordings for Islamic policies.

"What is clear from the research is that the market needs to cooperate across all disciplines to drive the supply of Islamic capacity and a wider product range if we are to meet the needs of the Islamic business community and establish the Shariah compliant products as part and parcel of the industry's risk management and mitigation tool kit," Max Taylor, the chairman of the IIAL, said.

Islamic banking asset quality at risk as economic conditions weaken

Despite tightening liquidity, VINEETA TAN writes that Islamic banks have extended more financing in the first quarter of this month as compared with the year before, although they are suffering from a higher rate of defaults as a result of feeble economic conditions pressuring households and corporates.

Latest data from the IFSB (covering 17 jurisdictions) indicates that Shariah banks provided US$891 billion in financing in the first three months of 2016, up from US$842 billion the same period in 2015, while total funding/liabilities increased to US$1.3 billion in the first three months of 2016 against US$1.2 billion. Asset quality, however, took a turn for the worse as the gross non-performing financing ratio edged up five percentage points to 5.3% on average.

This global trend is also reflected in the UAE well into the second quarter of the year. UAE Islamic banks (and windows) managed to increase their gross financing market share to 26% in the first half of 2016 as compared with 25% as at December 2015, with financing up 4% year-on-year, according to Fitch Ratings. Comparing Islamic banks to their conventional peers, the impaired financing/gross financing ratio fared poorly at 6% against 4.9% as at the end of June 2016, although this is a strong improvement from 2012's 11.5%.

"This is partly due to Islamic banks' large proportion of retail financing (including residential mortgages) of more than 40% at the end of 2015, which increases their vulnerability to a cyclical downturn relative to conventional banks," Bashar Al Natoor, the global head of Islamic finance at Fitch, explained.

On a global level, weaker GDP growth in many markets and the higher cost of funding have impacted the ability of Islamic banks to meet their liabilities as liquidity continues to be squeezed: the liquid assets ratio and the liquid assets to short-term liabilities ratio decreased year-on-year over the first quarter to 35.7% and 13.9% respectively from 36.4% and 16.3% in 2015, the IFSB found.

The capital adequacy ratio also deteriorated two percentage points to 17.8% while the Tier 1 capital ratio tumbled to 16.1% from 18.1%; these figures are, however, significantly higher than required by regulators.

Yet despite being less healthy, Shariah banks on average were able to maintain comparable rates of return on assets and equity, clocking in at 1.3% and 13.5% respectively at the end of the first quarter as compared with 1% and 10.6% the year before.

Sovereign Sukuk: Brunei rescues a resoundingly quiet week

With most markets slowing down toward the end of the year, not much activity has taken place in the sovereign Sukuk space over the past week, except for Brunei's monthly short-term issuance. DANIAL IDRAKI brings you the usual updates.

On behalf of the government of Brunei, Autoriti Monetari Brunei Darussalam issued its 139th series of short-term Sukuk Ijarah for the total amount of BN$5 million (US$3.45 million).

The 273-day facility was priced at 0.81% and will mature on the 17th August 2017. With this issuance, the Bruneian government has thus issued over BN$10.33 billion (US$7.13 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Bahrain	TBA	1st quarter 2017
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2016
Nigeria	TBA	1st quarter 2017
Egypt	TBA	2016
Kazakhstan	TBA	2016
Kenya	TBA	2016
South Africa	TBA	2016
Bangladesh	TBA	TBA
Hong Kong	US$500 million to US$1 billion	TBA
Ningxia Hui Autonomous Region	US$1.5 billion	TBA
Niger	XOF150 billion	TBA
Luxembourg	TBA	TBA
Tunisia	US$500 million	TBA
UAE	TBA	TBA
Shandong Province	CNY30 billion	TBA
Sindh Province	US$200 million	TBA
Kuwait	KWD5 billion	TBA
Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

Turkey stepping up its Shariah compliant finance activities in the SME sector

Turkey is shifting its Shariah compliant finance activities to a higher gear for the benefit of the country's SME sector, after the country's Small and Medium Industry Development Organization (KOSGEB) and the International Islamic Trade Finance Corporation (ITFC) signed an MoU to enhance cooperation and coordination in trade finance to support the country's development of the SME sector. DANIAL IDRAKI reports.

The MoU between the two entities would provide much leeway for Turkey's SMEs to grow in a relatively short period of time, benefiting from the facility provided by the ITFC, which also plans to provide US$1 billion to Turkish SMEs in the near term. The agreement will examine the possibility of providing Islamic trade finance solutions to SMEs in Turkey, including developing joint programs for capacity-building activities for SMEs in Turkey and reverse linkage programs for transferring KOSGEB's know-how to other OIC member countries, a local daily reported.

Hani Salem Sonbol, CEO of the ITFC, noted that the organization does not limit its activities to merely trade financing, but also assists its clients with business advisory services.

"[We also] introduce them to different partners in other OIC member countries, build capacities of SMEs in collaboration with local institutions and exchange expertise and experiences among traders through reverse linkages," Hani said, as reported by the Daily Sabah.

The agreement came shortly after the IDB and Borsa Istanbul signed an MoU to promote Islamic finance in Turkey and other IDB member countries, including exploring opportunities for the IDB's stake acquisition from Borsa Istanbul's share capital and cooperating on an integrated gold-trading platform to be established within the umbrella of the OIC member states' Stock Exchanges Forum, among many others.

Turkey has been a major beneficiary of the ITFC's programs since the organization's inception in 2008, with 72

financing operations for a total of US$3.4 billion approved so far in the country. The total trade financing approvals provided by the ITFC until the end of 2015, meanwhile, reached US$31.3 billion with a record high approval of US$6.05 billion in 2015 alone, according to the organization.

As part of its efforts to reach a larger number of SMEs in member countries, the ITFC provides Murabahah financing to local financial institutions and commercial banks, which in turn extend the financing to SMEs. Turk Eximbank, for example, is one of the local Turkish banks that received trade financing funds from the ITFC over the years that were then disbursed to Turkish SMEs in order for them to meet their export financing requirements.

Global energy infrastructure players turn to Islamic finance for green opportunities

The Paris Agreement may be under threat by a Trump presidency which could risk undoing valiant efforts by the global community to combat climate change, but VINEETA TAN observes that private players in the energy and infrastructure sectors from Africa to Europe are resolute in their green ambitions and are turning to Islamic finance for a sustainable solution.

In the last few weeks, energy infrastructure firms have engaged Islamic multilateral financiers — mainly the IDB and its private sector arm, the Islamic Corporation for the Development of the Private Sector (ICD) — to mobilize Shariah compliant funding toward sustainable projects. Turkish conglomerate Calik Holding's energy arm (Calik Enerji Sanayi ve Ticaret) secured a US$25 million corporate finance facility to part-fund its activities in the renewable energy sector; while Netherlands-based Energy Investment Company (EIC) and Morocco's Marita Group confirmed that they will establish a US$300 million fund in partnership with the IDB to invest in the development of green cities in Africa.

Calik Enerji, which is heavily involved in oil and gas exploration and power generation and distribution among others, is ramping up its capabilities in the Turkish renewable energy sector, one the government is aggressively developing: the country is expected to raise some US$28 billion over the next four years for renewable energy resources, according to International Finance Corporation. For Calik Enerji, approaching the ICD seemed natural as its parent group already has an established relationship with the ICD: the group is a partner in the ICD's leasing venture in Albania.

Marita Group and EIC on the other hand initiated the African 'smart' cities concept in 2015 at COP21, the Paris Climate Conference. The recently announced Sustainable Cities Africa Fund will support projects that reduce negative environmental and social impact in African cities, including improving urban air quality and facilitating waste recycling. Preferential access to projects and technologies will be given to the joint IDB fund.

For an in-depth look at the rise of Islamic green financing opportunities, read IFN Cover Story Vol 12 Issue 46: 'The burgeoning growth of green financing in the Gulf'.

Tribute: Nevine Loutfy

This week, IFN is paying tribute to one of the brightest lights of the global Islamic finance industry – Nevine Loutfy, CEO of Abu Dhabi Islamic Bank (ADIB) Egypt – whose tragic passing we are mourning, yet her legacy continues to inspire and influence us all.

Even before Nevine Loutfy blazed the trail as one of the first women to lead an Islamic bank, she was already a force to be reckoned with: fiercely independent, enterprising and pragmatic, this bold visionary was unapologetic in her ascent to the top. Like most, the economics graduate started her banking career from the bottom, as a financial analyst with banking juggernaut Citibank in 1976; and from her home market, Cairo, Loutfy worked her way to the top echelons of the male-dominated banking industry, leaving her footprints across Europe, the Middle East and Africa, eventually leading Citigroup's EMEA Commercial Bank in London as the COO and managing director in 2004.

It was Nevine's dauntless approach to life and work and thirst for adventures and challenges which brought her across borders and into many sectors from corporate, SME, retail to credit risk and capital management; and when the opportunity came in 2008 for her to helm an Islamic banking business – an unfamiliar territory – she took it.

From London, Nevine returned to Cairo, with a monumental task ahead: she was to steer one of the UAE's largest Islamic banking operations in Egypt through ADIB's recently acquired National Bank for Development, an embattled conventional lender struggling to stay afloat. With a clear strategy and eyes firmly on the prize, Nevine went above and beyond, turning the loss-making entity not only into a profitable venture, but also elevating it to become one of the top Islamic banks in the country – both among consumers and its peers.

ADIB Egypt was a public favorite for an impressive five consecutive years since 2010, winning the most votes in the IFN Best Banks Poll as Best Islamic Bank in Egypt (2010-2014) as well as Best Islamic Private Bank (2012). It has also been consistently recognized by peers as an industry leader, winning the highly coveted IFN Deals of the Year Award in 2014 for its exceptional work in the innovative Al Sharkiya Sugar Manufacturing Company project finance deal – a landmark transaction which served as an excellent Islamic finance case study on cooperation with conventional banks and corporates.

Nevine was pioneering in many ways, and her pragmatism, perceptiveness and passion raised the bar for Islamic finance in Egypt. She embraced the instrumental role technology would play in the bank's success and focused on implementing state-of-the-art infrastructure across its 70-strong branch network; she understood the need for diversification to build a strong portfolio and oversaw the creation of ADIB Egypt's investment banking arm and leasing company; and she deeply appreciated the vital support afforded by the bank's customers in the success of ADIB Egypt and adopted a customer-centric approach while positioning the bank not only as a contributor to the Egyptian economy but also its society through various corporate social responsibility projects.

Nevine Loutfy
Managing director and CEO of Abu Dhabi Islamic Bank Egypt from 2008-2016

'Most Powerful Arab Women', 'Most Influential Women' – these accolades are befitting of a woman such as Nevine who not only brought Egypt's Islamic finance industry to the next level but also broke the glass ceiling for women in the Arab world and beyond; and IFN joins the industry to mourn the loss of a great leader, mother and friend; in the words of the chairman of the Egyptian Federation of Banks, Hesham Ezz Al Arab: "Our world is poorer today. All of our members mourn the passing of a woman who was not just a consummate professional — an excellent banker and helpful colleague — but a good, moral and positive human being whom many of us were honored to call a personal friend. Nevine will be greatly missed."

Women in Islamic Finance

A biweekly look at women trailblazing the Islamic finance industry, featuring the insights and voices of market movers through Q&As and columns as well as incisive reports where we dissect thorny issues surrounding women in Islamic finance

Luxembourg: Top western Islamic finance hub post-Brexit?

As the first European member of International Islamic Liquidity Management Corporation, the first eurozone country to tap the sovereign Sukuk market and its stock exchange being the first European bourse to enter the Sukuk market (not forgetting its excellent standing as a global funds center), Luxembourg is giving London a run for its money in the race to become the Islamic finance center of the west, and perhaps even more so as the UK faces an uncertain future preparing to leave the EU. VINEETA TAN provides an overview of the Luxembourg Islamic finance landscape.

Regulatory landscape

Luxembourg has a comprehensive and flexible regulatory framework, with additional clarifications specific to Islamic finance, enabling the execution of Islamic finance transactions. The Grand Duchy formed a working group comprising representatives of the Ministry of Finance, the Ministry of Foreign Affairs, the Commission de Surveillance du Secteur Financier (CSSF), the Luxembourg Bankers' Association and the Association of the Luxembourg Fund Industry dedicated to examining Islamic finance-related issues and requirements in order to provide further clarifications should the need arise.

Among regulations pertinent to Islamic finance include the Investment Funds Law of 2002, the Luxembourg Law of the 22nd March 2004 (securitization law) and regulations set by the country's financial supervisory authority, CSSF. In 2010, the equal tax treatment (including value-added tax) of Islamic transactions was clarified. As there are no specific definitions or legal requirements in setting up Islamic funds under Luxembourg law, such an endeavor would not be any more complicated or cumbersome as compared to launching a conventional fund.

The country's network of double taxation treaties with many Islamic finance markets (including Malaysia, Bahrain, the UAE, Morocco and Oman among others) is a significant advantage to the industry and its tax law, which is based on the economic approach and substance over form principles, allows Luxembourg to easily accommodate Shariah compliant investments.

Funds industry

With EUR5 billion (US$5.29 billion)-worth of assets under management, 49 Shariah funds and over 12 Sukuk listed on the Luxembourg Stock Exchange as of May 2016 (according to EY), Luxembourg is the world's leading non-Muslim domicile for Islamic investment funds and the third-largest Islamic fund domicile after Malaysia and Saudi Arabia.

A reason driving its Islamic funds success is its flexible and broad range of product structures including the Undertaking for Collective Investment in Transferable Securities, Alternative Investment Funds, Specialized Investment Funds and Investment Company in Risk Capital.

Sukuk

The Grand Duchy has tapped the sovereign Sukuk market once, in 2014, becoming the first eurozone sovereign Sukuk issuer. The EUR200 million (US$211.77 million) Ijarah paper was the first sovereign euro-denominated Sukuk and was issued at the tight end of initial price guidance of 0-2bps over midswaps, and twice oversubscribed. The country is considering different options with regard to another possible issuance. However, no final decision on this (specifically with regards to volume, conditions, etc) has been made yet.

Banking and finance

Although Islamic banking institutions are not present in continental Europe, however, the latent potential is significant as the potential customer base of the region is approximately 20 million Muslims — and Luxembourg could be pivotal in facilitating the industry in tapping this market. With a Luxembourg universal banking license and a European passport, an Islamic bank established in Luxembourg could develop its activities on a purely cross-border basis or by establishing branches in the target countries out of their Luxembourg subsidiary.

There have been plans since 2013 for Luxembourg's first fully-fledged Islamic bank — Eurisbank. Proposed by private stakeholders from the Gulf including one of the royal families of the UAE and a bank from the UAE, Eurisbank is expected to have a presence in Brussels, Paris, Frankfurt and the Netherlands. With an initial capital of EUR60 million (US$63.53 million), the proposed bank will offer retail, corporate and private banking services.

Takaful

The first European Shariah compliant insurance company — Bahraini Solidarity Group — was established in Luxembourg in 1983 which paved the way for the FWU Group to offer Islamic products in the Middle East out of its Luxembourg base and regulated subsidiaries.

Prospects

It is no secret that Luxembourg and the UK have been competing to be the Islamic finance capital of the western world, and since the 2016 UK referendum favoring Brexit, the case has been stronger for the Grand Duchy. Luxembourg is ever ready to embrace Islamic finance and take on the mantle; however, comparing its Islamic banking and Takaful industries, the UK still outshines it, although Luxembourg has the advantage in respect of funds.

And while 2016 may seem like a sleepy year for Luxembourg with respect to its sophomore sovereign Sukuk issuance and the establishment of its first Islamic bank, the country has nonetheless been busy strengthening its relationships with the Islamic world to build its Shariah finance capacity: Islamic finance has been a key topic of bilateral discussions between Luxembourg and the UAE the past year building on from its MoU signed in 2015 to create Islamic finance/banking synergies.

Family offices: One of the fastest-growing investment vehicles

A family office is a corporate entity that manages the wealth of a family or group of families through a series of trusts or other investment structures. It sets out to protect, preserve and develop the wealth of a family in the long term and down the generations. DANIAL IDRAKI provides an overview of the developments in this market segment.

Overview

According to a report by EY, various types of family offices have emerged over the years, and the most prominent ones are the single-family office (SFO) and the multifamily office (MFO). There are also embedded family offices linked to the family business, where there is a low level of separation between the family and its assets. The SFOs and MFOs are distinct legal entities and manage assets that are completely separated from the family or the family business.

On the global front, a report by Campden Wealth noted that there has been an overall increase in the percentage of family offices that are pursuing a growth strategy to 36% from 29%. The best returns in 2016 have come from the rebounding of sectors and assets that came under pressure from weak energy and credit markets in 2015. Furthermore, private equity investments have become even more central to family offices over the past year and now represent close to a quarter of the average overall portfolio.

Islamic front

The Islamic wealth management industry is slowly picking up pace to become the new frontier for the global Islamic finance industry with the growing number of Islamic high-net worth individuals (HNWIs). In recent years, Islamic wealth, asset and portfolio management are some of the fastest-growing areas in international Islamic finance. According to a report by Edbiz Consulting and Labuan IBFC, Islamic wealth is estimated to be US$11.3 trillion out of the global wealth of US$107.3 trillion, and Muslim HNWIs hold an estimated US$3.35 trillion.

Dr Abdul Aziz Hassan, an Islamic legal advisor and whose main areas of practice are in wealth management and business succession planning, told IFN that the Shariah compliant family office is a recent development and one of the main trends that he is witnessing is the setting up of family Waqf to manage Islamic family wealth, where the assets are locked up and family members or heirs only utilize the dividends that come from the business, based on the concept of stewardship, in order to preserve wealth to be passed down through the generations.

Middle East

There are limited jurisdictions in the Middle East where family offices can be set up to successfully manage the finances of a family. The Dubai International Financial Center (DIFC) and the Dubai Multi Commodities Center (DMCC) are two free zones within the UAE that offer various benefits, and cater to the family office structure. The DIFC applies a 0% tax rate guaranteed until 2054, while the DMCC offers a specific tax exemption for 50 years from the date of incorporation. Thus, families who decide to set up an SFO in the DIFC or DMCC can take advantage of a 0% tax rate on income and profits, as well as the freedom to repatriate capital and profits without restrictions.

The Qatar Financial Center (QFC), which was established in 2005, is another place in the Middle East where it is possible to set up a family office. The QFC stands alone from the Qatar state regime and has separate legal, regulatory and tax laws, which are of international standard. The QFC is not a free zone or an offshore center. After the enactment of the SFO Regulations (SFOR) in 2012, the QFC Authority now aims to inform families and advisors to families to consider the QFC as the preferred jurisdiction for SFOs and for other investment purposes.

Asia

Asia has the world's fastest-growing population of the super-wealthy, and is now home to a third of ultra-wealthy people. A growing number of families are beginning to set up offices in Asia to manage most of the new-found wealth, while the family — usually the patriarch or matriarch — remains deeply involved in the original enterprise.

Hong Kong is one of the leading jurisdictions for the setting up of family offices in Asia. Many Asian HNWIs, especially those from China, look to Hong Kong as an investment platform for their private investments overseas, and set up a family office in the city-state to manage their assets and businesses centrally. Such an arrangement takes advantage of Hong Kong's ease of business formation, sound legal and banking system without foreign exchange controls, as well as its low and simple tax regime, under which profits earned outside of Hong Kong, dividends and capital gains are not taxable.

Europe

Luxembourg, recognized as the largest wealth management center in the eurozone, offers a highly attractive environment for private wealth management, combined with solutions for managing and structuring the wealth of HNWIs and families. A number of Luxembourg banks have an established track record in offering Shariah compliant financial services as well as setting up tailor-made Islamic investment structures for private clients.

Summary

The increasing concentration of wealth held by wealthy families and rising globalization are fueling their growth. Family offices are one of the fastest-growing investment vehicles in the world today, and there are at least 10,000 single-family offices in existence globally and at least half of these were set up in the last 15 years. The emerging markets, particularly, are expected to witness a strong growth in the years ahead. The opportunities for Shariah compliant family offices are expected to grow. However, industry observers have expressed that the Islamic finance industry still needs to create a broader range of investment products as a destination for available capital.

BRI Syariah's capital-boosting Sukuk Mudarabah

BRI Syariah recently tapped the Islamic capital market with a IDR1 trillion (US$73.8 million) subordinated Sukuk Mudarabah I issuance to enhance its capital structure and deepen the Indonesian corporate Sukuk market. NURUL ABD HALIM explores.

Effectively listed on the Indonesian exchange on the 17th November, the Tier 1 facility with a seven-year maturity witnessed a 100% take-up from local investors, with oversubscription reaching IDR2.17 trillion (US$160.15 million). According to BRI Syariah, the commendable traction bears a testament to the strong demand for Islamic instruments in the capital market, which is still undersupplied as compared to that of conventional bonds.

> *"The structure is unique to the Shariah bank as it allows the issuer to pay profits to investors using revenues generated from all of its financing activities, excluding revenues from the third-party fund"*

"[Although] the issuance of subordinated Sukuk represents only [a] 5% share in the Indonesian capital market, the response for BRI Syariah's Sukuk Mudarabah was overwhelming. We believe our pricing is more competitive compared to the current market prices of around 9.64-10.4%," asserted the Islamic bank.

The subordinated Sukuk instrument is engineered based on the Mudarabah Muthlaqah structure and is backed by BRI Syariah's financing assets. The structure is unique to the Shariah bank as it allows the issuer to pay profits to investors using revenues generated from all of its financing activities, excluding revenues from the third-party fund (Islamic deposits). Investors are entitled to an expected profit rate of 9.5% payable every quarter.

Commenting on the challenge, the issuer referred to the Shariah governance aspect of the transaction in terms of documentation, structuring, pricing and profit-sharing, whereby all agreements must strictly fall within the Shariah parameters. The language barrier also presented another hurdle which prompted the issuer to carefully detail the information in the Sukuk prospectus so as to ensure that investors are well-informed.

BRI Syariah intends to utilize the proceeds raised from this transaction to support its future business expansion in the retail, commercial and digital segments as part of its vision to become a prominent modern retail bank in Indonesia. The Islamic subsidiary of Bank Rakyat Indonesia also looks to maintain its long-term liquidity requirements, with plans to go public in 2018 to further strengthen its regulatory capital needs.

Subordinated Sukuk Mudarabah I
Bank BRI Syariah 2016

IDR1 trillion (US$73.8 million)

17th November 2016

Issuer	Bank BRI Syariah
Obligor	Bank BRI Syariah
Size of issue	IDR1 trillion (US$73.8 million)
Mode of issue	Public offering
Purpose	For capital and financing expansion
Tenor	Seven years
Issuance price	100%
Profit rate	9.5% (expected)
Payment	Quarterly
Currency	Indonesian rupiah
Maturity date	16th November 2023
Lead manager(s)	Danareksa Sekuritas
Principal advisor(s)	Bank Rakyat Indonesia
Bookrunner(s)	Danareksa Sekuritas, Bahana Securities, Indo Premier Securities
Governing law	Indonesian law
Legal advisor(s)/ counsel	Warens & Partners
Listing	Indonesia Stock Exchange
Underlying assets	All BRI Syariah's financing assets
Rating	'A+' by Fitch Ratings Indonesia
Shariah advisor(s)	Islamic capital market Shariah expert
Structure	Mudarabah
Tradability	Yes
Investor breakdown	By geography Indonesia: 100% By investor type: Insurance and pension funds: 65% Asset managers: 17% Individuals: 15% Banks: 3%
Face value/ minimum investment	IDR5 million (US$369)

Thinking big requires thinking data

By Kavilash Chawla, a partner at boutique management consulting firm Bâton Global and a visiting scholar at Drake University.

In US politics, we have come to expect 'October surprises' where new information about candidates hits the media and affects how citizens evaluate the candidates and cast their votes. While we had our fair share of October surprises this campaign, the biggest surprise to many was in November, the morning of the 9th November to be specific. I was in Washington DC on the 9th October for the 3rd annual Malaysia-US Chamber of Commerce event, hosted at the Malaysian embassy. The underlying theme of the conference was around 'making inroads into the US'. Since the forum, I have been 'thinking big' about this issue.

When addressing the issue of making inroads for Islamic finance in the US, one approach is to focus on the core, on a consumer base that one knows is both willing and able to use Islamic financial services. A second approach is to look beyond one's core and to cast a much wider net; to look at positioning Islamic finance products to appeal to as many people as possible, such as SRI, ESG, impact investors and such. In between these two approaches, many other combinations exist, which take advantage of a strong core while simultaneously looking to leverage opportunities to cast a much wider net. I challenge you to 'think big' about how you would answer this question for your firm in your marketplace.

How and where a firm competes defines a firm's success, and the need to 'think big' about this question cannot be underestimated. Making sound decisions on how and where your firm does and should compete requires good data. Specifically, it requires good data on your firm's capabilities and on the marketplace, especially its competitive dynamics. Operating in a highly regulated industry, Islamic finance institutions collect a great deal of data, but that data tends to be oriented around a compliance framework rather than a competitiveness framework. This has implications for our effectiveness in answering the question on how to make inroads into the US.

Currently, when trying to answer the question of making inroads into the US, there is a tendency to respond to the question based on one's 'gut' feeling. Gut-based decisions can often be the right decisions, especially when the gut making the decision is well experienced and is familiar with the ground reality. Gut-based decisions use anecdotal and observed information as the data source, and leverage the experience of the decision-maker/s to analyze that information and drive the decision. There is a reason, however, that we do not see 'gut-based decision-making' as one of the trending topics in leading business schools, or among the best-selling topics discussed by management gurus. That is because gut-based decision-making is wholly subjective, and exposes the firm to the biases of the decision-maker/s.

While few would argue that a data-driven decision-making process is preferable to a gut-based decision-making process, the challenge in Islamic finance, especially as it relates to making inroads in the US, is around the quantity and quality of data available. Whereas data collection in understanding demand from Halal-focused consumers in the fast-moving consumer goods sector in the US has improved significantly in the past several years, when we look at consumer demand and trends in the financial space there is still a significant vacuum of good data.

As an industry, we are yet to make the investment to truly understand the demand side of the equation as it relates to Islamic finance products in the US. Specifically, we are yet to understand the drivers behind consumer choice, and the detailed nuances of consumer preference, both for the Muslim diaspora and for the broader US consumer.

Let's 'think big' about investing and developing more robust data collection strategies and practices. The effective penetration and successful scaling of Islamic finance within the US will be driven by informed strategies and tactics, based on a sophisticated understanding of the complexities of consumer demand. 'Think big' about how you can better collect and leverage data toward making inroads into the US.

A final opportunity for France's Islamic finance market post-Brexit

FRANCE

By Kader Merbouh

In the referendum that was held on the 23rd June 2016, approximately 52% of the UK voted in favor of leaving the EU. The future exit of the UK from the EU is a historical event that can lead to potential economic, political and legal changes, according to a report by K&L Gates.

It is but fair to challenge London's rank as a European leader in the Islamic economy and to highlight the eventual possibility that Paris could take its place, thus impacting the economic overview of the Islamic finance industry in France.

The underlying issue that remains is: What is the future of Islamic finance in the UK? And subsequently is Paris finally able and willing to accommodate its market and regulations to attract Islamic finance investors, positioning the UK as a simple gateway to the EU market? France and Paris will be challenged to inherit and consolidate the European Islamic economy.

Let us point out the different characteristics that would make France's Islamic finance market attractive and more favorable to the development of Islamic finance products. The four characteristics are the following: an encouraging demographic, a favorable economic momentum, a Shariah-friendly legal environment and a correlation between little competition and strong demand.

That being said, it is clear that France's success in Islamic finance depends fundamentally on its willingness and actions in adapting its tax and legislative restrictions.

In 2016, Paris rose from 10th to 7th place in the most popular cities of great fortunes in the world, making the French capital an ideal niche for Islamic finance investors.

Indeed, Middle East buyers make up 100% of the customers for goods valued at more than EUR40 million (US$42.44 million) making Shariah compliant contracts and products suitable for acquiring such goods.

However, since the demand is restricted to real estate Islamic financing, it is insufficient for conventional banks to develop a fully-fledged Islamic window or division.

There is an obvious need to give financial institutions more leeway in order to apply a more Shariah-friendly approach to their investments.

Even though France has a strong and increased culture of ethical investments, there seems to be very little place for Islamic finance as the French government is not yet willing to recognize that Islamic finance could be a higher ethical standard, nor fully grasp the idea that Islamic finance is not a religious issue.

Indeed, looking back at the different reports issued in 2014, all predicted a good potential for a steady growth of Islamic finance products. Sadly, they were all proven wrong.

It is now clearer than ever that Paris will never meet its full potential of being a European leader in the financial Islamic industry as there is poor consensus between a consumer push and a government pull despite having one of the largest Muslim communities in Europe with a projected number of 6.86 million Muslims in 2030, according to report by Deloitte.

To conclude, the dichotomy between the government's position and the market's need will not allow Islamic products to flourish in the near future. While we can predict that London will establish itself as an Islamic finance destination of its own and no longer reduced to a simple gateway to enter the EU market, the same assumption cannot be made for France.

Kader Merbouh is the special advisor on Islamic finance and the international cooperation officer of the MENA zone and is also the head of the Executive Master Islamic Finance Department at Paris Dauphine University. He can be contacted at kader.merbouh@dauphine.fr. Yasmine Dhaoui Torkhani and Rime Douggouj assisted in writing this report.

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Fourth Islamic mutual fund on the cards

BANGLADESH

By Md Siddiqur Rahman

As the demand for other segments of Islamic finance, largely dominated by the commercial banks, is growing steadily in recent times, new Shariah compliant financial products are coming out. Out of 34 mutual fund companies listed on both the Dhaka Stock Exchange and the Chittagong Stock Exchange, only three are Shariah compliant. The market capitalization of those funds stood at BDT2.26 billion (US$27.87 million) in November 2016, which is 7.7% of the total mutual fund market. Among these three Islamic mutual funds, there is one amounting to BDT180 million (US$2.22 million) being managed by ICB which was launched in 2005 as a closed-ended fund and was recently converted to an open-ended fund. In addition, the AIBL 1st Islamic Mutual Fund and IFIL Islamic Mutual Fund 1 are also in operation.

Recently, the Bangladesh Securities and Exchange Commission approved the prospectus of the SEML IBBL Shariah Fund, a closed-ended mutual fund. The size of the Shariah mutual fund will be BDT1 billion (US$12.33 million) and the offer price of the units of the mutual fund will be BDT10 (12.33 US cents) each. BDT500 million (US$6.17 million) and BDT250 million (US$3.08 million) have already been collected from the sponsors and pre-IPO placement holders respectively. The rest of the fund amounting to BDT250 million will be collected through an IPO. Islami Bank Bangladesh is the sponsor of the SEML IBBL Shariah Fund, while Strategic Equity Management is the fund manager and the Investment Corporation of Bangladesh (a government-owned financial institution) is working as the trustee and custodian.

As dividends and other income are declared for the fund, they can be used to purchase additional shares in the mutual fund, which will help Islami Bank grow its investment further. The units of the fund may be redeemed any time at a maximum 5% discount of the respective net asset value thereby reducing minimal cash conversion risk than others. The dividend income and the capital gain from the Shariah fund will be taxed at 20% and 10% respectively during final assessment. Substantial tax savings is expected for IBBL on income from the fund.

In the present liquidity abundant market, most of the Islamic banks tend to invest heavily in government treasury as there is a scarcity of Islamic capital market products. A well-managed Shariah compliant Islamic mutual fund could be an attractive capital market vehicle for investors looking for safer Islamic security instruments.

Md Siddiqur Rahman is the executive vice-president of Islami Bank Bangladesh. He can be contacted at siddiqur.md@gmail.com.

Remedying the damage of maneuvers past

MALTA

By Reuben Buttigieg

The Malta Stock Exchange (MSE) has placed Islamic finance high on its agenda to the extent that it is part of the National Capital Markets Strategic Plan, which is once again at the forefront in identifying new markets in which Malta has huge potential.

The MSE launched the Islamic listing of eight companies this year, certified as Shariah compliant by consultancy firm Dar Al Shariah. This is a major step in the right direction, albeit there is still a need to see some efforts that incentivize the listing of Sukuk and Shariah compliant companies on the MSE.

Initially, this may require some forward-looking actions, such as allowing for dual listings whereby the MSE will have to engage in various MoUs with other stock exchanges in the MENA region as well as in the Far East. The MSE may provide to medium companies in this region not only a route to Europe and the commonwealth but also an access to finance.

The financial services industry is at the moment in an unprecedented slowdown in Malta. It is clear that we need fresh ideas and a new strategy. The MSE has recognized this and is taking various measures to stimulate the capital markets and to attract new business to Malta. Unfortunately, the government of Malta has not backed the MSE the way it should. In order to send a strong, positive message to the Islamic finance world and to repair the damage inflicted by the MFSA and various governments, it should have launched a sovereign Sukuk. The government can do this without destabilizing the existing government bond markets, as it may engage in national huge projects that will not happen, unless we have a forward-looking prime minister who can assess what is truly beneficial to the country and looks beyond the reasons why certain authorities use such a destructive lobbying strategy.

In spite of this, it is anticipated that if the MSE engages in proper marketing and a promotional campaign and invests further in the Islamic capital market, we may witness a new era for the stock exchange and financial services in general.

If the government expends the same energy in the sector as in the Individual Investor Program and encourages the head of states in the MENA region to look at Malta, the country may well be on its way to becoming an Islamic finance hub. Luxembourg has been very successful in this and it had clearly given the remit to its ambassadors to attract Islamic finance to Luxembourg with the promise of doing whatever changes necessary to stimulate the market. Luxembourg, which has no or little historic connections with the Arab world, has succeeded where Malta is clearly failing.

Now that we have an organization like the MSE which is acting concretely, will the government give its full commitment in order to assist the MSE in this worthy endeavor?

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SLR requirement of Islamic banks reduced

PAKISTAN

By Muhammad Shoaib Ibrahim

The State Bank of Pakistan (SBP) has reduced the statutory liquidity requirement (SLR) for Islamic banks by 5% to 14% with the aim of fixing the liquidity problems of Shariah compliant financial institutions. The SBP helps Islamic banks to maintain the SLR ratio through the purchase and sale of the government of Pakistan's Sukuk Ijarah either on a deferred payment basis or on a ready payment basis through open market operations based on competitive bidding.

Sovereign Sukuk bonds are part of the SLR. With the maturity of a huge amount of Sukuk bonds, Islamic banks and Islamic banking branches were required to place the same amount in the shape of cash with the SBP to maintain a 19% SLR. Therefore, the SBP has decided to cut the SLR for Islamic banks to facilitate the industry. Sources said earlier this month a meeting by the Islamic banking industry was held on this issue and they requested the SBP for some reduction in the SLR besides demanding the Ministry of Finance to issue fresh Sukuk bonds.

A few years ago, the SBP had increased the SLR for Islamic banks and Islamic banking branches by 5% to 19% which was equivalent to the conventional bank requirement. This decision was taken to improve the risk factors since at that time the economic conditions of the country were not promising. A higher SLR can sometimes improve the risk factors and provide comfort to depositors and investors.

Shariah compliant financing is cheaper for the government compared to conventional banking. For Islamic banks, there are limited investment opportunities for the industry since the volume of new Sukuk bonds is not sufficient or available as per the requirements of Islamic banks to utilize their liquidity. The downward revision of the SLR requirement will provide support to the Islamic banking industry. At present, banks in Pakistan, particularly Islamic banks, are under stress from the low-interest rate regime. Due to high competition, the profit margin is shrinking but the cost of operations is still on the higher side and increasing gradually.

The investment in Islamic financial institutions provides potential opportunities for profit in proportion to the risk assumed to satisfy the different demands of participants in the existing environment and within the guidelines of Shariah. Deposit mobilization has been easier in Islamic banking in Pakistan as compared to the booking of good financing assets. Likewise, the financing operations are excessively dependent on asset-backed modes of financing which are sometimes not available.

Despite all the challenges, the Islamic banking industry is taking root in Pakistan. The SBP is actively engaged in capacity-building of the industry through various promotional tools. Given its strong fundamentals and increasing public acceptability, the prospect of the further growth of Islamic finance in Pakistan is very encouraging.

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Islamic finance now well established in Oman despite difficult times

OMAN

By Anthony Coleby

We are fast approaching the fourth anniversary of the introduction of Islamic finance in Oman — the central bank had launched its framework document in December 2012, as the Sultanate became the last of the GCC states to take this step. Further significant government-driven initiatives followed with a new insurance law laying the basis for Takaful business just over a year ago followed by the Capital Market Authority launching its innovative regulations for the issuance of private sector Sukuk in July. While these measures materialized somewhat later than originally expected, they demonstrated Oman's strong commitment to the sector.

Some called that commitment into question as the government failed to continue its own Sukuk issuance program following the first half of 2016 — just two issues were made as the country began to grapple with the need to attend to its budget deficit, with recourse being made to the international debt markets and domestic development bonds, in preference to the securitization of sovereign assets to serve as a benchmark for future domestic issuance. This was seen as crucial to absorb Islamic compliant asset liquidity arising as the new sector sought to grow and develop.

Nonetheless, there have been are hints this month suggesting that the Islamic finance sector is developing well and looks set to continue that way in the short term. In common with the banking sector generally, the Islamic finance sector was considered to be suffering from oversupply — eight banks participating and all except the top three struggling to make significant profits. But the long-mooted merger of Bank Dhofar and Bank Sohar (both major participants) has been called off and there are no similar initiatives among participating institutions in the pipeline.

> *"Given the government's initiative to stimulate the economy by encouraging foreign investor participation, this shows every sign of being a benchmark for the success of the sector"*

Furthermore, to drive the development of the sector, lending institutions had to demonstrate the suitability of Islamic finance tools in satisfying customers' needs as the industry could never depend alone on the level of private sector Sukuk issuance following the government's lead (although the aggregate US$226 million private placement to date by MB Holdings has been important).

And this has been forthcoming in Alizz Islamic Bank's recently announced funding of the bespoke Telal Al Qurm Integrated Tourist Complex with an impressive 164,900 square meters. It is anticipated that the bank's participation will take the form of the familiar Musharakah (shared risk, quasi-partnership) arrangement on a unit by unit basis, an attractive alternative to traditional mortgage. Given the government's initiative to stimulate the economy by encouraging foreign investor participation in local real estate, this shows every sign of being a significant benchmark for the sustained success of the sector.

On a final note, while credit rating agencies continue to treat the sovereign harshly, Moody's has recently upgraded the Oman banking community as a whole to positive over the short term and this will certainly benefit the Islamic finance sector as well as Oman's banking sector.

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Brief update of the global sovereign Sukuk space

SOVEREIGN SUKUK

By Hamed Afzal

Jordan recently closed its inaugural issuance of a JOD34 million (US$47.86 million) Sukuk facility which was three times oversubscribed. The five-year tenor facility has an expected profit rate of 3.01% and was priced inside the Kingdom's existing curve for conventional bonds.

Off the back of its US$1 billion Sukuk issued in October, the Pakistani government is reportedly exploring the possibility of issuing a benchmark-sized dollar Sukuk against the Islamabad Lahore Motorway, which could be upsized to US$1.5 billion. Bangladesh issued short-term Sukuk amounting to BDT977 million (US$12.23 million), while Bahrain saw its monthly Sukuk Ijarah issuance worth BHD26 million (US$68.26 million) fully subscribed.

Ibrahim Al Assaf, the former finance minister of Saudi Arabia, confirmed at a meeting with Christine Lagarde, the managing director of the IMF, that the Kingdom's public debt issuance program will not be limited to conventional bonds and that Sukuk will play an important role, signaling future potential issuances.

In Africa, following the recent successful sovereign Sukuk issuances by the governments of Cote d'Ivoire and Senegal, and the debut issuance by the Republic of Togo, the government of Djibouti expects to work on a framework to allow Sukuk, its central bank governor said.

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Islamic finance in France: Opportunities galore


LAW (EUROPE)

By Shakeel Adli and Michel Collet

In 2008, Christine Lagarde, the then French minister for the economy, announced that Paris was to become a place of choice for Islamic finance, particularly in the context of "crisis, credit excess, volatility and cupidity". The development of Islamic finance in France has, however, been challenging, despite the obvious merits of the French market.

Firstly, France has the largest Muslim population in Europe which brings with it great potential for the development of Shariah compliant instruments. Secondly, Islamic finance is increasingly relied upon for real estate investments in France – mostly in Paris and the French Riviera – albeit such financing is generally offered by foreign rather than domestic banks. Last but not the least, the French legal system is a favorable regime for Shariah compliant transactions.

French contract law principles and especially those of contractual freedom, public order and the newly introduced rule of contractual economic balance (Reform of the French Civil Code: 10 February 2016 Ordinance No. 2016-131 which entered into force on the 1st October 2016) are welcoming with regards to the substance of Islamic finance. As a result, Shariah compliant arrangements do not require French law to be amended: Islamic products can be implemented through existing contractual forms.

The French tax regime is also, unlike many other international jurisdictions, well placed to encourage Shariah compliant products. In 2010, the French tax authorities issued four short and self-explanatory statements of practice covering Mudarabah, Sukuk, Ijarah and Istisnah (available at bofip.impots.gouv.fr), the objective being to offer the same tax treatment to such products as that found in their conventional equivalents.

For French tax purposes, a Murabahah facility is considered a sole transfer of assets. As such, registration duties apply only once as would happen under a conventional equivalent. The profit derived by the financing institution is treated as interest income (then taxed on an accrual basis) and value-added tax (VAT)-free. Profit paid to an offshore financing institution (except where the financing institution is located in a non-cooperative country or territory) may also be paid gross. For the customer, any profit which is paid is treated as interest and as such deductible. The same treatment applies to Tawarruq.

Similarly, an Ijarah facility is treated as a financial lease so rental payments are deductible for the customer (the lessee) and taxable for the financial institution (the lessor). Depreciation is allowed at the financial institution level subject to some limitations. Once the assets are acquired, all the attributes of ownership apply to the customer. Istisnah and parallel Istisnah are facilities are also treated as financing with an interest treatment for profit (deductibility and no withholding tax in a cross-border context).

> ***"France remains a fertile ground for Islamic finance to bloom"***

Sukuk may be listed in France and are treated as conventional bonds (deductibility, no VAT and no withholding tax in a cross-border context). Regulations regarding Wakalah, Mudarabah and Salam have been expected for some time but have not yet been issued.

France remains a fertile ground for Islamic finance to bloom, particularly given how encouraging the legal and tax framework is. It is only a matter of time before the Islamic finance industry truly embraces it.

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An update of the non-sovereign Sukuk space

FINANCIALINSTITUTIONS ANDCORPORATESUKUK

By Rizwan H Kanji

Malaysia continues to lead the charge in the non-sovereign Sukuk space; the country's Public Sector Home Financing Board issued its inaugural Sukuk under its RM25 billion (US$5.66 billion) Sukuk program.

On the corporate side, DanaInfra Nasional is finalizing a RM13 billion (US$2.94 billion) Sukuk facility to fund the Pan-Borneo Highway project in East Malaysia, while Malaysia's Tenaga Nasional and DanaInfra Nasional also sold Sukuk in October.

In the GCC, the Saudi Arabian Oil Company has confirmed that it is working with banks to sell its first local currency Sukuk, while Saudi Arabian Airlines has chosen HSBC to arrange a SAR5 billion (US$1.33 billion) Sukuk offering. Sharjah Islamic Bank also issued a US$500 million Sukuk facility which was oversubscribed 3.2 times.

The International Islamic Liquidity Management Corporation will auction its three-month US$480 million Sukuk shortly, while Etihad Airways expects to raise US$1 billion through a dollar benchmark-sized Sukuk issuance, according to Reuters.

Finally, it has been reported that Chinese firm Sichuan Development Holdings is in further discussions in connection with issuing a potential US$300 million Sukuk facility.

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Islamic social finance: A panacea for financial inclusion and poverty eradication

The Islamic finance industry has achieved remarkable growth since its inception in the last four decades. DR MARJAN MUHAMMAD explores.

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According to Islamic Financial Services Industry Stability Report 2016 issued by the IFSB, global Islamic finance assets reached an overall total value of US$1.88 trillion as at 2015. Table 1 below shows the breakdown of current Islamic finance assets according to its sectors. Thomson Reuters estimates that the market size will grow further to US$3.2 trillion by 2020.

The time has now come to revisit the fundamental goals of Islamic finance so that it realizes its initial promise of assisting to establish a just economic system and contributing to social justice. Investment activities should be able to generate both profits and social and environmental benefits. This is the essence of Islamic social finance which broadly comprises the traditional philanthropic-based institutions such as Waqf, Zakat and Sadaqat; mutual cooperation-based relationships such as Kafalah and Qard; and contemporary Islamic not-for-profit microfinance institutions that use for-profit modes to mainly cover their operational costs such as Amanah Ikhtiar Malaysia.

Against this background, the International Shari'ah Research Academy for Islamic Finance in collaboration with Islamic Research and Training Institute (IRTI-IDBG, Saudi Arabia) and the Durham Center for Islamic Economics and Finance, Durham University, organized a Strategic Roundtable Discussion on the 31st October 2016 in Kuala Lumpur, Malaysia. The aim of the roundtable was to discuss about the role of Islamic social finance in eradicating worldwide poverty, particularly in Muslim countries. The theme selected was 'Islamic Social Finance: A Holistic Solution to Financial Inclusion and Poverty Alleviation'.

Table 1: Breakdown of current Islamic finance assets according to its sectors

Sector	Value of assets
Islamic banking	US$1,496.5 billion
Sukuk	US$290 billion
Islamic funds	US$71.3 billion
Takaful	US$23.2 billion
Total	**US$1.88 trillion**

Source: IFSB (2016)

After presentations and lengthy discussions on the theme, the participants recognized that Islamic economics should drive Islamic finance to the goals that society wants to achieve. Primary among these is social justice, which involves equity and meaningful social inclusion. Extreme inequality in the distribution of wealth is incompatible with social justice. OIC countries face numerous challenges such as widespread poverty (although some reduction has been achieved), unemployment, illiteracy, low health facilities, corruption and extreme wealth polarization. In addition to creating new sources and forms of wealth, Muslim societies must focus on innovative means of wealth distribution, including the promotion of philanthropy as it transfers surpluses in an effective and ethical manner.

The participants also acknowledged that technology has a huge impact on the creation and distribution of wealth and on reducing the costs of both. This makes the improvement of education in the Muslim world a pressing priority, especially for the marginalized.

The participants also agreed that Islamic microfinance is a viable option to achieve social justice in Muslim countries, particularly when combined with cash Waqf and Zakat. Although Waqf played a major role throughout the history of Islam, it became ineffective in the last century. Despite its potential to be an alternative source of poverty alleviation, many Waqf properties became unproductive, and they are not managed professionally. Although many studies indicate that Zakat has great potential to eradicate poverty, no Muslim countries have used it effectively. In addition, there is a deficit of public trust regarding the management of philanthropic funds arising from Waqf, Zakat and Sadaqat.

The participants also recognized that Islamic crowdfunding is a promising emerging model for Islamic social finance. Small contributions can be combined to mobilize funding for projects that meet real needs such as affordable housing. Technological advancements allow crowdfunding platforms to provide real-time information to investors about the status of their investments. The main challenge is raising awareness among stakeholders to promote the model.

> ***"Although many studies indicate that Zakat has great potential to eradicate poverty, no Muslim countries have used it effectively"***

The participants also emphasized the need for a synergy between the roles of all segments of Islamic finance (capital markets, banking, voluntary sectors such as Zakat and Waqf, etc) to actualize social finance.

The participants questioned to what extent Islamic social finance, which focuses on reducing costs for consumers,

Continued

is compatible with profit-seeking Islamic financial institutions. Examples of how Islamic financial institutions can, and do, support Islamic social finance include the following:

1. Cash Waqf payment mechanisms that have been introduced by several Islamic financial institutions.

2. Taking into consideration the genuine difficulties faced by defaulting customers during the recovery process. Islamic financial institutions must identify genuinely needy defaulters and for them, the profit rate could be lowered and Zakat money could be used to pay off the debt. It should be noted that some Islamic financial institutions are already doing this.

3. Islamic financial institutions must ensure that contracts not only meet formal contractual Shariah compliance but also manifest justice and fairness to customers.

4. In offerings based on Musharakah Mutanaqisah, particularly for assets under construction that end in abandonment, both the bank and the customer should bear losses in accordance to the amount invested, and all advanced rental should be refunded to the customer.

At the end of the roundtable, the participants agreed on the following recommendations:

1. Islamic finance research institutions have a responsibility to advocate Islamic social finance considerations to regulators and other stakeholders.

2. More research is required to examine the Fiqh principles and rulings governing Waqf and Zakat; for example: Can we allow capital and profit protections in Zakat and Waqf funds? Can non-Muslims be the recipients of Zakat funds for humanitarian purposes?

3. The proper implementation and management of Waqf and Zakat require a comprehensive legal and regulatory framework, recognition of best practices and continuous training/education to ensure that Waqf and Zakat institutions can regain their potential in the development of Muslim nations.

4. Consideration should be given to the transformation of Waqf administration into a combined centralized and decentralized model. While the Waqf founders should be authorized to manage their Waqf personally or to assign a trustee, there should be professional oversight by the centralized body and the external auditing of financial statements.

5. There is a dire need to ensure that the implementation of social finance avoids the dependency syndrome among recipients; hence, it is imperative to learn from global best practices, to have role models to spearhead the philanthropic initiatives in Muslim countries and successful initiatives should be publicized widely.

6. The United Nations (UN) Sustainable Development Goals and the UN Principles for Responsible Investments are generally consistent with the objectives of the Shariah (Maqasid Shariah); however, specific initiatives require scrutiny to ensure that the means used and their consequences do not violate Shariah objectives. There should be initiatives to integrate those goals within the Islamic finance framework and to integrate Maqasid Shariah in those goals.

7. To establish benchmarks and standards for philanthropic institutions, as many managers (Nazirs) of Islamic charity funds operate according to their own standards.

8. To explore and initiate pilot engagements between Islamic crowdfunding platforms and existing Islamic financial institutions to bring about greater unity and cohesion to the Islamic finance industry, especially with the move toward fintech solutions.

Can South Africa become the Islamic finance hub in Africa?

South Africa's National Treasury wants to make the country the hub for Islamic finance in Africa. The country has the most sophisticated and advanced financial legislative and governance structures and regulations on the continent, and has the potential to be the economic superpower of Africa. This gives the country a unique competitive edge over most African countries in actively capturing and promoting the Islamic finance industry. Within the country, Islamic finance has seen considerable development in recent times but while the outlook is promising, it isn't without its challenges. MUHSIN JEENA writes.

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Second global sovereign Sukuk in the works but no corporate Sukuk issues yet

Following the successful launch of its US$500 million global Sukuk in 2014, the South African government is looking to launch a second global Sukuk. One could argue that the timing is right given where the local currency is currently trading – in the range of ZAR14 to ZAR15 against the greenback. What remains to be seen though is the levels at which a new sovereign Sukuk would be priced, given the recent pressures on South Africa's sovereign rating. This should become clearer after the December 2016 review by global rating agencies – with the real possibility of a downgrade looming.

What has been more disappointing though is that since the 2014 sovereign Sukuk facility, which was widely viewed as a catalyst for the industry, no corporate issues have followed through. While there has been serious consideration by the likes of Eskom and Sanral, taxation and regulatory barriers continue to pose a challenge. Over the past few years, regulatory authorities have adapted certain policies in order to level the playing field, particularly from an investor's perspective.

But it has since emerged that corporate issuers could be prejudiced – in ways not anticipated before. These challenges should be expected given South African Sukuk are still in nascent stages and we can safely assume that resolutions will be found — if we consider how authorities have responded historically; it is just a question of how long will it take.

> ***"There's a gross shortage of products at opposite ends of the risk spectrum, ie on the lower end as well as the extreme higher end. This presents a great opportunity for fund managers to tap into this space"***

Capital markets – no material changes but divergent portfolios emerging

Currently, roughly one-third of listed stocks on the Johannesburg Stock Exchange meet the 'generic' qualitative and quantitative Shariah criteria. They are represented by about 130 stocks at a total market capitalization of approximately US$200 billion. The universe hasn't changed materially over the past few years, and is dominated by large industrial and resource counters. IPOs have been few and far between in recent times and companies are not influenced by Shariah guidelines when listing – given South Africa is a secular state.

What is interesting though is the different stock selection basis adopted by various Shariah fund managers in South Africa and the divergent return profiles produced by each of them. For example, Old Mutual's Shariah Equity Fund is largely uncorrelated to the other funds – supporting the case for 'blending' funds.

Long-term savings and private pension sector look promising

The long-term savings segment, in the form of discretionary mutual funds along with the pension savings sector, has been growing slowly and currently is estimated at around US$2 billion. There are currently five notable players offering products in this space: Old Mutual,

Oasis, Kagiso, 27Four and Element. If this figure of US$2 billion is compared to a recent wealth survey that puts South Africa's Muslim wealth at around 10 times that size, one is left wondering where the remaining US$18 billion is hiding. Research tells us that most Muslims in South Africa are traders and have a preference for either reinjecting wealth into active businesses and/or have a preference for owning real estate.

So, in a way, one has to ask: "Are the current range of products fit for purpose?" They are certainly not comprehensive enough to tap into large pools of capital. This is something well known to the market and the reality is there's a gross shortage of products at opposite ends of the risk spectrum, ie on the lower end as well as the extreme higher end. This presents a great opportunity for fund managers to tap into this space.

Only 10% of the Muslim population use Islamic banking

The country currently has one fully-fledged Islamic bank which is Al Baraka Bank that was registered in South Africa in 1989. Other banks such as First National Bank, Absa Bank and HBZ Bank

Continued

house Islamic finance windows alongside their conventional banking services. Total Islamic banking assets currently account for 1-2% of total banking assets, indicating much room for growth, and various Middle Eastern Islamic banks are currently eyeing business prospects in the country.

Muslims represent 2.3% or 1.3 million of the population in South Africa while contributing well over 10% of the GDP, according to some estimates. However, only 10-15% of the Muslim population use Islamic banking but only Muslim businesses and investment houses have played significant roles in some of the largest infrastructure deals and they control huge pools of liquidity.

The demand for Islamic finance has been largely fuelled by an increasing awareness, increasing trade volumes with the Middle East, growing demand by the local Muslim population for Shariah compliant products and an ever-increasing demand for more ethical risk-sharing-based products given the recent global financial crisis.

Slow progress in the Takaful sector

The Takaful market has been largely sluggish with only one Takaful company to date and less than 1% penetration of the Islamic short-term insurance market. However, various private wealthy business houses are currently in negotiations with large insurance corporations to develop Islamic mutual indemnity funds.

Conclusion

During 2016, the National Treasury revived its initiative to make South Africa the Islamic finance hub of Africa. The issuance of a second government Sukuk facility will go some way in building momentum on this initiative. Together with this, a developed long-term savings and insurance sector and advanced banking system should provide further support to make real strides in achieving the objective of becoming the Islamic finance hub of Africa. However, serious consideration needs to be given to the hurdles as well, most notably regulatory and tax burdens that are preventing progress on the corporate Sukuk front.

The need for diversification among investors in Saudi Arabia could grow

Some types of Middle Eastern institutional investors exhibit a preference toward investing either in assets from their home country or from the broader home region, and they incorporate a strategic overweight to these markets in their asset allocation policies. While institutional investors in Europe, Japan and North America have been reducing their home bias and migrating toward a global benchmark at a steady pace, the trend has been much less discernible in Saudi Arabia. KAMRAN BUTT explores.

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Whether it is local real estate or local equities, overallocation is common. We have seen especially in Saudi Arabia that whether it involves a private client or an institution, they would typically be allocating 60% to 80% of their equity exposure to the Gulf region, and most of which tends to be in their home market. In aggregate, Gulf equities comprise less than 2% of the global equity market capitalization, so such allocation decisions display a significant deviation from a globally diversified portfolio.

As is the case elsewhere in the world, the home bias of investors in Saudi Arabia may be driven by a variety of reasons, such as constraints on foreign investments, currency risk and liability considerations. If assets are actively managed, investors may also perceive an informational advantage with respect to local securities.

In addition, some investors may seek a home-biased allocation as they believe it would generate higher long-term returns compared to the broader global equity market, based on expectations of a superior long-term future economic performance. Saudi Arabian investors consistently display this trait, which is in direct conflict with the basic principles of international diversification.

We know that most investment returns are not for free. They are associated with risk – the risk that the actual return will not equal the expected return. Of course, there are many ways to manage risk, such as by hedging certain risks or by finding a reasonable balance between risk-free and risky assets. However, it goes without saying that any risk-reducing measure will also have a dampening effect on expected returns. There is only one way to control and manage risk to some extent without having to accept lower returns, and that is diversification.

> ***"There is no guarantee of recovery from disasters as well as a danger of bad decisions in a period of panic. The local economy affects not only an investor's portfolio, but their employment and incomes"***

The natural externality that overallocation to your home market provides is, quite simply, concentration risk. We can run as many simulations as we like – the outcome will always be the same. A more broadly diversified portfolio tends to be less volatile than an undiversified one. Unfortunately, it does not always deliver a better performance.

However, being aware of our inability to predict the future, a concentration of risks is likely to be a game of pure chance that may produce excellent returns occasionally, but also disastrous results from time to time. The problem is that there is no guarantee of recovery from disasters as well as a danger of bad decisions in a period of panic. The local economy affects not only an investor's portfolio, but their employment and incomes. Hence, there is significant risk tied to the performance of the local economy and so geographical diversification is key to dilute some of this risk.

Having said that, things could be about to change in Saudi Arabia, with the announcement of Vision 2030 and the National Transformation Program being implemented by policymakers.

At the core of the 2030 vision for Saudi Arabia is the structural need for an efficient and deep Saudi Stock Exchange, driven by the need to privatize through mega IPOs in the hydrocarbon, healthcare, military and mining industries.

As the Kingdom adopts a journey of liberalizing its capital markets especially for international investors, the local financial market will naturally adopt linkages to global market dynamics. This, in our opinion, could see local investors also following suit in their investment decision-making. Hence, over time, idiosyncrasies could start to fade among Saudi investors. Institutions, asset managers and financial advisors need to be ready to take full advantage of the potential growth in demand that could result in such a development.

Family offices: Current challenges and opportunities

GCC family offices have developed over the last few decades into diverse and successful businesses and the pace of such development has triggered the need for family offices to adapt to their business, social and geopolitical environments. In this article, DARREN HARRIS discusses the current performance of GCC family offices, the challenges they face and the opportunities that lie ahead.

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GCC family offices have demonstrated that they are diversified and successful businesses with many operating across multiple sectors including financial services, real estate, hospitality, construction, engineering, retail and trade among others.

This success was brought about for many family offices initially through the ownership and commercialization of land or oil-based assets. GCC family offices responded to the rise of affluent populations in their local markets (both local and expat) by increasing the diversification of their interests to trading and other businesses. Family offices have always known their markets very well – giving them a distinct advantage over foreign-based groups that might be unfamiliar with local culture and which have to grapple with foreign ownership restrictions.

At a time when the price of oil is guiding government budgets and many of the regional banks are choosing to limit lending to many sectors, family offices are becoming increasingly selective in their investments. Like their private equity counterparts, many family offices are taking this opportunity to focus on their portfolio with an emphasis on increased operational efficiency and on new investments being additions to existing interests to build scale and achieve consolidation across competitive international markets.

One of the key issues facing family offices is the need to provide for succession planning – planning for the next generation of leaders requires a particularly delicate balancing act in a region where older generations command enormous respect. Many family offices are looking to their second or third generations, many of whom are millennials, to show the same level of entrepreneurialism and leadership of the generations before them. It has been estimated that in excess of US$1 trillion of assets globally will be transferred to the third generation in the next 10 years. The Family Business Institute estimates that around 80% of the companies in the region, producing more than 90% of non-oil wealth, are family-owned or controlled. No pressure on the millennials then.

Successful succession planning comprises many different facets which, among others, include adopting appropriate and transparent corporate governance systems that achieve clarity of roles and procedures; having a distinction between what is business-related and what is family-related; attracting and retaining the best managerial talent available (not necessarily from within the family) who are incentivized on a performance-related basis; and having regular meetings and communication between the family members and other stakeholders to ensure that the values of the family office remain important and relevant. The shortage or failure of some or all of these facets can lead to chronic inefficiency and disputes, which can be extremely damaging, if not fatal, to the future of the family office.

In order to be fit-for-purpose, succession planning should allow a family office to have the necessary platform to deal with the challenges of a business and to become more competitive with their regional and international counterparts and allow for greater internal efficiency. Improving operational efficiencies will have a positive impact on profitability, particularly if certain parts of family offices' interests are not performing as strongly as in previous years due to the economic slowdown.

Despite the global economic slowdown and political events both at home across the region and further afield (global referenda and elections have dominated the headlines), the outlook for the GCC remains positive. Non-oil and gas-related merger and acquisition activity remains strong across the region. Certain sectors, such as healthcare, education and technology, continue to perform well and attract investment from family offices and other investors and are providing valuable sources of future investment activity across the region – particularly as part of a scaling-up or consolidation strategy. Many family offices across the GCC have professionalized the way in which they source and execute transactional activity and are competing with other investors for direct investments.

Away from home, currency fluctuations are providing some good opportunities for GCC family offices to diversify their geographical interests. Investments made abroad can be an attractive means to reduce a family office's dependency on their home markets and economies and allow them to offset certain areas of stagnant growth in the GCC (particularly in the oil and gas sector). For example, certain sub-Saharan African countries, particularly those with populations experiencing rising affluence and consumer demand, are capturing the interest of GCC investors seeking to make longer term investments with potentially higher rewards on offer.

GCC family offices are facing the same economic challenges as businesses across the world but many have been shown to be behind the curve when it comes to succession planning and implementing corporate governance standards that allow them to compete with their international counterparts. Their diversification and unique history provides family offices with a solid platform on which the next generation can build the future of their businesses to drive success in the decades ahead.

DEALS

SIB sells Sukuk via private placement

SAUDI ARABIA: Saudi Investment Bank (SIB) has closed a privately placed SAR500 million (US$133.2 million) subordinated Tier 1 Sukuk, the bank said in a bourse filing. The perpetual Sukuk facility will boost the bank's capital base and capital adequacy ratios, in addition to diversifying its funding sources and maturity profile. Alistithmar for Financial Securities and Brokerage Company and JPMorgan Saudi Arabia Company acted as the joint lead managers.

STSSB issues 161st ICP

MALAYSIA: Sunway Treasury Sukuk (STSSB) announced on Bank Negara Malaysia's website that it has issued RM100 million (US$22.61 million) in Islamic commercial papers (ICP) via tender on the 28th November. Maturing on the 28th December 2016, the 'MARC-1IS'-rated facility is STSSB's 161st ICP series.

Brunei issues Sukuk Ijarah

BRUNEI: Autoriti Monetari Brunei Darussalam has, on behalf of the government of Brunei, issued its 139th series of short-term Sukuk Ijarah for the total amount of BN$5 million (US$3.45 million), according to a statement. The 273-day facility was priced at 0.81% and will mature on the 17th August 2017. With this issuance, the Bruneian government has thus issued over BN$10.33 billion (US$7.13 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006.

Angkasa Pura I lists Sukuk Ijarah on exchange

INDONESIA: Angkasa Pura I (Persero) has listed its Sukuk Ijarah I Angkasa Pura I Tahun 2016 with a nominal value of IDR500 billion (US$36.95 million) on the Indonesia Stock Exchange (IDX), according to a bourse filing. The Islamic bond is rated 'idAAAsyar' by Pemeringkat Efek Indonesia. With the listing, there are now 315 bonds and Sukuk listed on the IDX issued by 105 issuers.

Etihad Airways prices maiden Sukuk at 3.86%

UAE: Etihad Airways has priced at par a US$1.5 billion five-year senior unsecured Sukuk with a 3.86% profit rate and a spread of 210bps over midswaps, Reuters reported, citing a document released by the banks involved in the issue. The unlisted Sukuk issue will mature on the 30th November 2021. HSBC, JPMorgan and the National Bank of Abu Dhabi are the arrangers for the Islamic bond, and are joined by Abu Dhabi Islamic Bank, Dubai Islamic Bank and First Gulf Bank as bookrunners.

DAAR completes Sukuk repayment

SAUDI ARABIA: Dar Al-Arkan Real Estate Development Company has completed the repayment of its SAR1.13 billion (US$301.11 million) Sukuk facility due on the 25th November 2016, according to a bourse filing.

Grand Sepadu to make Sukuk profit payment

MALAYSIA: Grand Sepadu (NK) will be making the profit payment for its RM210 million (US$47.23 million) Sukuk Murabahah on the 13th December 2016, according to an announcement on Bank Negara Malaysia's website.

SP Setia to make periodic Sukuk distribution

MALAYSIA: SP Setia will be making the periodic distribution for the Series 1 perpetual Sukuk Musharakah worth RM700 million (US$157.43 million) in nominal value on the 13th December 2016, according to an announcement on Bank Negara Malaysia's website.

DEAL TRACKER Full Deal Tracker on page 32

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
20th December 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	24th November 2016
TBA	TRIplc Medical	up to RM639 million	Sukuk Murabahah	16th November
November 2016	Islamic Development Bank	upward of US$1 billion	Sukuk	15th November 2016
November 2016	Etihad Airways	up to US$1 billion	Sukuk	15th November 2016
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016

AFRICA

IDB to invest in Jigawa

NIGERIA: The IDB has concluded plans to invest about US$35 million in Jigawa to promote agriculture in the state, according to the News Agency of Nigeria quoting Jigawa's governor, Badaru Abubakar. The investment, which would enhance agricultural financing, mechanization processing and enterprise, would be largely made in the area of accelerated crop production across the state, added Badaru.

IDB and Benin cooperate to develop Islamic finance

BENIN: The IDB and Benin have signed an MoU that envisages the exchange of knowledge and expertise to develop the Islamic financial industry in the West African country, according to a statement. The MoU will also focus on promoting ongoing strategic cooperation, providing support for future development plans and projects, encouraging foreign investment, increasing private sector involvement and reducing poverty in Benin. The IDB expressed full support for Benin's five-year action plans and will include the country's priority projects in its financing agenda to study possibilities for contribution.

ASIA

BSM receives capital boost

INDONESIA: The parent of Bank Syariah Mandiri (BSM), Bank Mandiri, has injected IDR500 billion (US$37.2 million) into its Islamic subsidiary for the latter to strengthen its capital base, according to Sindonews.

Separately, BSM's principal director, Agus Sudiarto, was quoted by Republika.co.id as saying that it is targeting to issue a IDR1 trillion (US$74.4 million) Sukuk Mudarabah facility on the 20th December 2016.

Panel approves bills on Islamic banking

PHILIPPINES: The Committee on Banks and Financial Intermediaries of the House of Representatives has approved two measures, namely Pampanga representative Gloria Macapagal Arroyo's House Bill No 3957 and Anak Mindanao party-list representative Sitti Djalia Turabin-Hataman's House Bill No 492, seeking to amend the charter of Al-Amanah Islamic Investment Bank of the Philippines, according to The Standard. The consolidated proposal will make Al-Amanah independent from the Development Bank of the Philippines; be a universal bank with initial paid-up capitalization of PHP10 billion (US$200.57 million); and, if capable, be the first in the country to fully engage in Islamic banking that can issue Sukuk.

SC updates Shariah compliant securities list

MALAYSIA: A total of 34 securities have been included into Bursa Malaysia's list of Shariah compliant securities following its most recent review. Effective the 25th November 2016, the updated list excludes 30 securities from the previous list of May 2016. Securities Commission Malaysia (SC) confirmed in a statement that 74% (672) of the total 904 listed securities on the exchange are now Shariah compliant.

IDB and Borsa Istanbul collaborate

TURKEY: The IDB and Borsa Istanbul have signed an MoU to promote Islamic finance in Turkey and other IDB member countries, according to a statement. The MoU includes exploring opportunities for the IDB's stake acquisition from Borsa Istanbul's share capital, cooperation on an integrated gold-trading platform to be established within the umbrella of the OIC member states' Stock Exchanges Forum, introducing innovative interest-free financial products, such as instruments to finance large public-private partnership infrastructure projects (PPP) and seek ways to enhance the Sukuk infrastructure, as well as generating alternatives for liquidity management of participating banks through PPP products in accordance with Islamic finance principles.

Furthermore, the collaboration will also see the formation of an international Islamic finance board in Turkey and develop opportunities to exchange information, expertise and technical know-how and provide consultancy/advisory to third parties pertaining to Islamic finance in order to improve non-interest finance in the country and the broader region.

IBank proceeds with rehabilitation plan

THAILAND: As part of its rehabilitation plan, the loss-making Islamic Bank of Thailand (IBank) has written off THB50 billion (US$1.4 billion)-worth of bad debts by transferring them to the newly established Islamic Asset Management. According to the Bangkok Post, quoting bank chairman, Chaiwat Utaiwan, the state-backed bank plans to improve its capital adequacy ratio from negative to 1:1 by raising THB18 billion (US$505.18 million) in registered capital through issuing new common shares, pending shareholder approval on the 12th December.

Utaiwan added that the new shares will first be offered to existing shareholders through a rights offering; any remaining shares will be offered to a new group of investors on a private placement basis and the Ministry of Finance would subsequently absorb any excess shares. The ministry, which currently owns a 48.5% stake in IBank, however can only hold 49% of shares; the bank is therefore prepared to seek a temporary relaxation of the shareholding limit.

IBank has been on the lookout for a new partner to strengthen its capital and is currently negotiating with at least four financial institutions.

Affin Islamic begins IAP venture

MALAYSIA: Affin Islamic Bank has signed a collaboration with ICT Zone Ventures, an information and communications technology equipment leasing and rental enterprise, with a total financing of RM4 million (US$897,968) for the Islamic Account Platform (IAP) venture. According to Bernama, the financing is intended to aid ICT Zone Ventures in the supply of notebooks for a recurring national youth program on a rental basis.

Cagamas sets 2017 financing target

MALAYSIA: Cagamas has set a target to purchase RM10.5 billion (US$2.36 billion)-worth of financing comprising RM3 billion (US$673.48 million) of Islamic asset purchases and RM7.5 billion (US$1.68 billion) of conventional loans for 2017, an increase of RM2.5 billion (US$561.23 million) over its targeted asset purchases of RM8 billion (US$1.8 billion) this year, according to The Star Online.

Indonesia's listed Islamic securities increase to 345

INDONESIA: Otoritas Jasa Keuangan (OJK) noted that the number of listed Islamic securities during the second half of 2016 was the highest since 2007, and increased to 345 securities from the 321 recorded in the first half of the year. The Jakarta Post quoted Fadilah Kartikasasi, OJK's director of Islamic capital market supervisory, as saying that 342 stocks out of the 345 do not declare the operations and management of their business are based on Islamic principles, but meet the Shariah compliant criteria.

Pakistan's Islamic banking assets grow

PAKISTAN: Assets of the Islamic banking industry in Pakistan witnessed a growth of PKR43 billion (US$404.67 million) during the quarter July to September 2016 to reach PKR1.79 trillion (US$16.85 billion), according to the State Bank of Pakistan's latest quarterly bulletin. The market share of Islamic banking assets and deposits in the overall banking industry stood at 11.8% and 13.3% respectively by the end of September 2016.

EUROPE

RFI Foundation to host summit in Zurich

SWITZERLAND: The Responsible Finance & Investment Summit will be held on the 3rd and 4th May 2017 at the Hotel Atlantis by Giardino in Zurich, Switzerland. Organized by the RFI Foundation and Swiss Arab Network, the event will gather responsible finance leaders to discuss metrics to measure the positive and negative impacts its operations generate to expand impact for responsible finance.

International investment conference in Azerbaijan

AZERBAIJAN: The Islamic Corporation for the Development of the Private Sector and the IDB Group Business Forum will be partnering with Azerbaijan Export and Investment Promotion Foundation to organize the International Investment Conference in Baku, Azerbaijan, on the 8th December 2016. The conference will be a platform to connect investors with companies and individual entrepreneurs from Azerbaijan, and for constructive dialogue between various parties with an interest in the private sector.

The event will address topics of common interest to support investments and private sector development in Azerbaijan.

GLOBAL

UNEP and RFI Foundation collaborate

GLOBAL: The United Nations Environment Program Finance Initiative (UNEP) and the Responsible Finance & Investment (RFI) Foundation are collaborating on an initiative to provide guidance to help increase the use of environmental considerations by Islamic financial institutions, according to a statement. Dr Zeti Akhtar Aziz, the chairperson of the RFI Foundation Council of Advisors, explained that expanding the explicit consideration of environmental sustainability in Islamic finance enhances its ability to support equitable, inclusive and sustainable economic development.

AAOIFI approves Shariah standard on gold

GLOBAL: AAOIFI has approved the standard on gold and its trading controls during a meeting of its Shariah board, according to a statement. The Shariah standard on gold was carried out in collaboration with and support by the World Gold Council and Amanie Advisors, which also provided technical and expert guidance. Besides this, AAOIFI also adopted a Shariah standard on the liability of investment managers, which brings the total number of AAOIFI Shariah standards to 57.

Albilad and Western Union collaborate

GLOBAL: Bank Albilad has launched an online money transfer service via AlBilad Net in partnership with Western Union, according to Saudi Gazette.

Manila and Tehran to establish banking ties

GLOBAL: The Philippines, which is actively seeking to develop its Shariah banking sector, and Iran have agreed to expand bilateral ties, including in the area of banking, according to the Philippine Information Agency. Filipino Finance Secretary Carlos Dominguez III was quoted as expressing his keenness in setting up a branch of the Land Bank of the Philippines in Iran which practices a fully-fledged Islamic banking and financial system. Iran has officially supported the peace process in Muslim-majority Mindanao and backed Manila's bid for observer status in the OIC.

ITFC signs agreements

GLOBAL: The International Islamic Trade Finance Corporation (ITFC) have agreed to extend EUR15 million (US$15.9 million) to the government of Mali to facilitate the import and local production of cereals. According to a statement, the country's national food security agencies, OPAM and CSA, will act as executing agencies.

Separately in another statement, the ITFC announced that it has signed an MoU with the National Transport and Logistics Company of Morocco to mobilize funds to mount a study for the development of logistics platforms in sub-Saharan African countries to facilitate trade and investment between Africa, Morocco and Arab states. This agreement is under the Arab-Africa Trade Bridge Program.

MIDDLE EAST

Saudi Hollandi rebrands

SAUDI ARABIA: Saudi Hollandi Bank will adopt a new corporate identity beginning the 27th November 2016, the bank said in a bourse filing. The bank will then be known as Alawwal Bank.

Bawan renews Islamic facility deal

SAUDI ARABIA: Bawan Company in a filing to Tadawul has announced that it has renewed a SAR200 million (US$53.28 million) Islamic facility agreement with Al Rajhi Bank, effective from the 22nd November until the 1st April 2017. Bawan intends to use the facility, which will be guaranteed by performance bonds from its affiliate companies and would be repaid within a maximum of six months, to fulfill the company's working capital requirements.

DIB and flydubai collaborate

UAE: Dubai Islamic Bank (DIB) and flydubai have teamed up to launch co-branded credit cards, namely the Classic, the Platinum and the Signature Credit Card, according to a statement. The credit cards will enable customers to enrol in OPEN, a newly launched rewards program from flydubai, where by joining the program, customers will earn OPEN reward points every time they use their DIB-flydubai credit cards for local and international purchases.

ADIB Egypt CEO found dead

EGYPT: Abu Dhabi Islamic Bank has confirmed via Twitter the passing of Nevine Loutfy, CEO of its Egyptian arm. Nevine was found dead in her home recently and a man has been arrested with the matter under investigation.

Mellat Bank and SAIPA Corp sign deal

IRAN: Mellat Bank and SAIPA Corp have signed a new partnership deal, which is likely to take effect from the 21st December 2016, on several banking

facilities including increasing credit lines, providing needed resources in the area of foreign exchange, opening letters of credit and providing bank guarantees for export, according to local automotive website Akhbar Khodro.

Sohar Islamic offers special rates

OMAN: The Islamic banking window of Bank Sohar, Sohar Islamic, is offering attractive auto financing and construction and housing financing solutions with special rates starting from 5.69%, valid until the 21st December 2016, according to the Muscat Daily.

ASSET MANAGEMENT

Rasmala Egypt eyes asset growth

EGYPT: Rasmala Egypt, whose assets under management (AUM) in the country currently stand at EGP5 billion (US$295.89 million), is planning to increase its AUMs by 25% by the end of 2017. Ahmed Abou El-Saad, the chairman of Rasmala Egypt, was quoted by Amwal Al Ghad as saying that such a plan will depend on issuing a number of new financial products within the current quarter and a new mutual fund in the coming period.

Arcapita expands senior living portfolio

GLOBAL: Shariah compliant investment manager Arcapita has completed the acquisition of a privately-held portfolio of three senior living communities in the metropolitan areas surrounding Washington DC and Atlanta in the US for a total transaction value of approximately US$110 million, according to a statement. Arcapita's current US senior living portfolio now consists of six independent living, assisted living and memory care communities offering a total of 506 units in the metropolitan areas surrounding Washington DC, Atlanta, Denver and Colorado Springs.

Mirae debuts Islamic equity fund

GLOBAL: Mirae Asset Global Investments has launched its first Shariah compliant fund, the Mirae Asset Islamic Asia Sector Leader Equity Fund, according to Citywire. The Shariah fund, whose investment strategy and process will be based on the asset manager's Asia Sector Leader Equity Fund, will be benchmarked against the MSCI Asia ex-Japan Islamic Index. The fund is a sub-fund of the Luxembourg-domiciled Mirae Asset Global Discovery Fund and Mirae plans to register the fund for public distribution in selected jurisdictions in Asia, Europe and the Middle East. Amanie Advisors and IdealRatings have been appointed as its respective Shariah supervisory board and stock screening provider.

Amana Wealth licenses IdealRatings Boursa solution

GLOBAL: Amana Wealth Management, a business unit of Sri Lankan-based Amana Holdings, has licensed the IdealRatings Boursa solution for its investment/client advisory management services. According to a statement, the Amana team, through the selection of the IdealRatings Boursa solution, will be able to provide its high-net-worth and premier customers with a product which will allow them to use the technical analysis as the basis for their investment decision.

RESULTS

Hong Leong Islamic Bank

MALAYSIA: For the first quarter of its 2017 financial year which ended the 30th September 2016, Hong Leong Islamic Bank saw an 18.3% expansion in net profit after tax to RM53.2 million (US$12.04 million) from RM45 million (US$10.18 million) achieved in the previous year underpinned by strong business performance during the quarter, the Islamic bank noted in a statement. Financing from the retail segment augmented 13.6% year-on-year, riding on a 16.4% year-on-year rise in mortgage financing to RM10.4 billion (US$2.35 billion), while financing from business and corporate banking increased 13.1% year-on-year on the back of a higher utilization in capital lines from the SME segment.

AmBank Group

MALAYSIA: AmBank Group registered a 9.2% quarter-on-quarter growth in profit after tax and minority interest (PATMI) to RM352.6 million (US$79.79 million) for the second quarter of its 2017 financial year but year-on-year growth dropped 6.4%, according to a statement. The group's Islamic banking business, which forms an integral part of the retail and wholesale banking divisions, witnessed a 6.5% decline in profit after taxation and Zakat to RM116 million (US$26.25 million), mainly from lower net financing income and higher expenses.

University Bancorp

US: University Bancorp, the parent company of University Islamic Financial, reported an unaudited net income of US$1.5 million for the third quarter of 2016, compared with the US$703,623 recorded in the corresponding quarter of the previous year. Unaudited net income attributable to University Bancorp common stock shareholders for the first nine months of 2016 was US$2.27 million, according to a statement.

Malaysia Building Society

MALAYSIA: Malaysia Building Society (MBSB), which plans to convert into a fully-fledged Shariah compliant financial institution, recorded pre-tax profits of RM73.72 million (US$16.67 million) for the third quarter of 2016, a 10.38% growth year-on-year from the previous year's corresponding quarter. Revenue, meanwhile, increased 8.1% to RM830.25 million (US$187.76 million) from RM768.03 million (US$173.69 million) during the third quarter of 2015, according to a press release.

RHB Islamic

MALAYSIA: RHB Islamic recorded a 17.7% growth in pre-tax profit to RM299.1 million (US$67.64 million) for the first nine months of 2016, according to a press release. This was mainly due to higher net fund-based income, partially offset by higher impairment losses on financing and higher operating expenses. Gross financing grew by an annualized rate of 13.2% to RM34.2 billion (US$7.73 billion), outpacing the industry growth rate of 8.4%. Islamic financing now contributes 25.1% to RHB Group's total domestic gross loans and financing, up from 23% as at the 31st December 2015. Asset quality of RHB Islamic improved to 1.12% from 1.17% as at December 2015.

TAKAFUL

UNB establishes new Takaful operator

UAE: Union National Bank (UNB) is establishing a new Takaful operator — Orient UNB Takaful — which will be jointly promoted by UNB and Orient Insurance Company, according to a bourse filing. A 30% stake of the new entity will be offered to the public via an IPO, and will be listed on the Dubai Financial Market, while the remaining 70% will be held by UNB and Orient Insurance.

CTS opens new branch

KENYA: Crescent Takaful Sacco (CTS) has opened a branch in Wajir town, the first outside Nairobi, according to the Standard Digital.

Takaful Emarat looks to acquisitions

UAE: Takaful Emarat is looking to acquire UAE-based Takaful and conventional insurance companies in a bid to increase its market share amid intense competition in an overcrowded market, according to The National quoting its CEO Wael Al Sharif. According to figures from the UAE Insurance Authority, there were 61 insurance companies operating in the UAE in 2015. These included 34 national and 27 foreign insurance companies, with 11 national companies being Shariah compliant, according to the authority.

RATINGS

Kuwait Investment Company's rating affirmed

KUWAIT: Moody's has affirmed the 'Ba2' long-term issuer rating of Kuwait Investment Company (KIC) and revised the outlook to stable from negative, according to a statement. The affirmation primarily reflects Moody's views that the fundamental credit profile of KIC, which offers Islamic financial services, continues to reflect the company's profitable business model, and that its main shareholder, the Kuwait Investment Authority, will remain supportive of KIC during the planned divestiture process.

RAM downgrades Al Bayan's Sukuk rating

MALAYSIA: RAM has downgraded the rating on Al Bayan Holding Company's RM1 billion (US$226.44 million) Sukuk Wakalah to 'C1(s)' from 'BB2(s)', with the rating remaining on rating watch with a negative outlook, according to a statement. The downgrade is premised on the high likelihood of Al Bayan defaulting on RM100 million (US$22.64 million) of Sukuk maturing on the 16th December 2016. Al Bayan had failed to meet all scheduled payments into the Finance Service Reserve Account which constitute events of default.

MARC affirms Symphony Life's IMTN

MALAYSIA: MARC has affirmed its rating of 'AAAIS(fg) on Symphony Life's guaranteed Islamic medium-term note (IMTN) program with a stable outlook, according to a statement. The affirmed rating and outlook are based on the unconditional and irrevocable financial guarantee insurance provided by

Danajamin Nasional. The outstanding balance under the rated issue is RM150 million (US$33.97 million) as at the end of October 2016, with the repayment of RM20 million (US$4.53 million) due on the 30th November 2017 in line with the reduction schedule of the program.

AM Best affirms Malaysian Re's credit ratings

MALAYSIA: AM Best has affirmed the financial strength rating of 'A-' and the long-term issuer credit rating of 'a-' of Malaysian Reinsurance (Malaysian Re), with a positive outlook on the credit ratings, according to a statement. The rating affirmations reflect Malaysian Re's strong balance sheet, good business profile and good overall profitability.

Fitch assigns rating on U1S's Sukuk

UAE: Fitch has assigned a senior unsecured rating of 'A' on Unity 1 Sukuk (U1S)'s US$3 billion trust certificate issuance program and a final senior unsecured rating of 'A' to the US$1.5 billion 3.86% trust certificates due 2021 issued under the program, in line with Etihad Airways's long-term issuer default rating of 'A' with a stable outlook and senior unsecured rating of 'A'. According to a statement, U1S is the issuer and trustee of the Sukuk, incorporated in the Cayman Islands solely for the purpose of participating in Sukuk trust certificate transactions.

MARC affirms Bank Muamalat Malaysia

MALAYSIA: MARC has affirmed the 'A/MARC-1' financial institution ratings (FI) on Bank Muamalat Malaysia and concurrently affirmed the 'AIS' rating on the Islamic senior note program (senior Sukuk) of up to RM2 billion (US$449.79 million) with a stable outlook, according to a statement. The affirmed FI rating is driven by Bank Muamalat's relatively modest asset size and weaker asset quality metrics as well as moderate financial performance and constraints posed by its funding profile.

RAM reaffirms RHB Islamic Bank's ratings

MALAYSIA: RAM has reaffirmed the 'AA2/Stable/Stable/P1' financial institution ratings on RHB Islamic Bank and the 'AA3/Stable' rating on the bank's RM1 billion (US$226.44 million) subordinated Sukuk Murabahah program, according to a statement. The ratings are premised on the rating agency's expectation that the bank will continue to benefit from the strong likelihood of parental support.

Capital Intelligence affirms Turkey's ratings

TURKEY: Capital Intelligence has affirmed Turkey's long-term foreign currency and local currency sovereign ratings at 'BB+' and its short-term foreign and local currency sovereign ratings at 'B', according to a statement.

RAM reaffirms PKNS's 'AA3/Stable/P1' ratings

MALAYSIA: RAM has reaffirmed the 'AA3/Stable/P1' ratings on Perbadanan Kemajuan Negeri Selangor (PKNS)'s RM300 million (US$67.84 million) Islamic commercial paper program and RM700 million (US$158.3 million) Islamic medium-term note program, with a combined limit of RM700 million, according to a statement.

Bank Islam reaffirmed

MALAYSIA: Bank Islam's 'AA3/Stable/P1' financial institution ratings have been reaffirmed by RAM who concurrently reaffirmed the bank's 'A1/Stable' rating on its RM1 billion (US$226.14 million) subordinated Sukuk Murabahah program (2015/2045). The rating agency said in a statement that the reaffirmation are predicated on Bank Islam's still healthy asset-quality indicators and improved capitalization as well as the expectation of extraordinary support from its ultimate majority shareholder, Lembaga Tabung Haji.

Negative outlook for CGRE's Sukuk

MALAYSIA: RAM has maintained a negative outlook on the 'AA3(s)' rating of Country Garden Real Estate (CGRE)'s Islamic medium-term note program of RM1.5 billion (US$339.22 million) in nominal value (2015/2035). The rating agency said in a statement that notwithstanding the still-strained balance sheet of CGRE's ultimate parent — China-based Country Garden Holdings Company — the reaffirmation of the rating reflects the group's robust sales performance up to the first nine months of 2016.

Stable outlook on Jordan's sovereign ratings

JORDAN: Capital Intelligence has affirmed Jordan's long-term foreign currency rating at 'BB-' and its long-term local currency rating at 'BB', with a stable outlook, according to a statement.

MOVES

Salama Cooperative Insurance

SAUDI ARABIA: The board of directors of Salama Cooperative Insurance Co has appointed **Omar Al Ajlani** as CEO, effective the 1st December 2016, according to a bourse filing. He previously served as the head of the Strategic Planning Department at Salama since 2014, and was named interim CEO in May this year for a period of six months.

Abu Dhabi Islamic Bank Egypt

EGYPT: Abu Dhabi Islamic Bank Egypt has appointed **Zohair Hamada Ahmed Edris** as acting CEO and **Fred Farouk Abdul Karim Al Balbisi** as the acting non-executive chairman, according to a bourse filing.

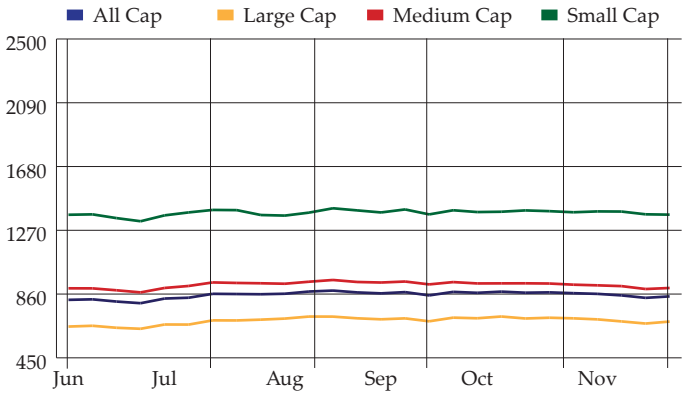
Alawwal Bank

SAUDI ARABIA: Alawwal Bank, previously known as Saudi Hollandi Bank, has appointed **Soren Nikolajsen** as the new managing director effective the 1st January 2017, according to a bourse filing.

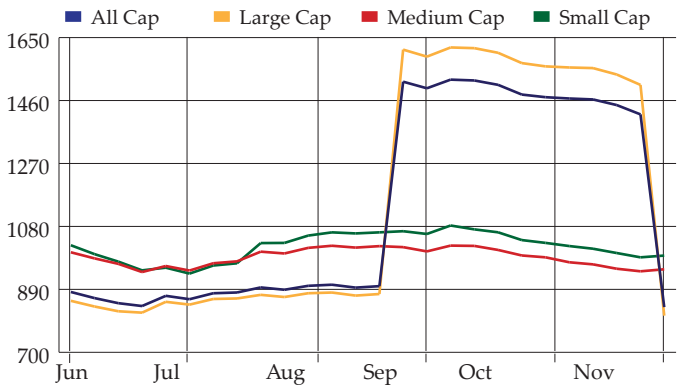
Expected date	Company's name	Size	Structure	Announcement Date
20th December 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	24th November 2016
TBA	TRIplc Medical	up to RM639 million	Sukuk Murabahah	16th November
November 2016	Islamic Development Bank	upward of US$1 billion	Sukuk	15th November 2016
November 2016	Etihad Airways	up to US$1 billion	Sukuk	15th November 2016
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 2016
First quarter of 2017	National Real Estate Company	US$500 million	Sukuk	25th October 2016
TBA	Al Faisal Holding	US$200 million	Sukuk	19th October 2016
November 2016	Angkasa Pura I	IDR500 billion	Sukuk	18th October 2016
TBA	Housing Development Finance Corporation of Maldives	TBA	Sukuk	13th October 2016
TBA	APM Automotive Holdings	up to RM1.5 billion	Sukuk Murabahah	11th October 2016
TBA	Shatel	IRR10 trillion	Sukuk Murabahah	10th October 2016
2017	Muhammadiyah	up to IDR1 trillion	Sukuk	28th September 2016
TBA	Aktif Bank	TRY25 million	Sukuk Murabahah	26th August 2016
TBA	Widad Capital	up to RM110 million	Sukuk Murabahah	23rd August 2016
First quarter of 2017	Government of Nigeria	TBA	Sukuk	11th August 2016
Fourth quarter of 2016	Malaysia Debt Ventures	up to RM1 billion	Sukuk	4th August 2016
August-September 2016	DanaInfra Nasional	RM10 billion	Sukuk	19th July 2016
First quarter of 2017	Government of Kuwait	up to KWD5 billion	Sukuk	4th July 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17th June 2016
TBA	Almarai Company	TBA	Sukuk	10th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8th June 2016
TBA	The Philippines	TBA	Sukuk	6th June 2016
TBA	GFH Financial Group	US$150 million	Sukuk	2nd June 2016
TBA	Government of Sri Lanka	US$1 billion	Sukuk	27th May 2016
TBA	Saudi Aramco	TBA	Sukuk	26th May 2016
TBA	Al-Tajamaout for Touristic Projects	JOD45 million	Sukuk Ijarah	24th May 2016
TBA	Societe Generale	RM1 billion	Sukuk	23rd May 2016
TBA	Bank Muamalat Malaysia	RM1 billion	Sukuk Murabahah	23rd May 2016
TBA	Bank Rakyat Malaysia	RM5 billion	Sukuk Murabahah	20th May 2016
TBA	Government of Germany	US$1 billion	Sukuk	18th May 2016
By 2017	Republic of Maldives	TBA	Sukuk	29th April 2016
Second half of 2016	Saudia	up to SAR5 billion	Sukuk	26th April 2016
TBA	PRAN Foods	BDT1 billion	Sukuk	11th April 2016
Fourth quarter of 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	5th April 2016
2016-17	Sarana Multigriya Finansial	IDR200 billion	Sukuk	4th March 2016
TBA	Ziraat Participation Bank	TRY1.5 billion	Sukuk	1st March 2016
TBA	Hong Kong	TBA	Sukuk	1st March 2016
TBA	Cahya Mata Sarawak	RM1 billion	Sukuk Ijarah	22nd February 2016
TBA	Saudi Electricity Company	US$2.5 billion	Sukuk	16th February 2016
2016	Kuwait Finance House	TBA	Sukuk	1st February 2016
TBA	Oman Telecommunications	US$130 million	Sukuk	28th January 2016

REDMONEY SHARIAH INDEXES

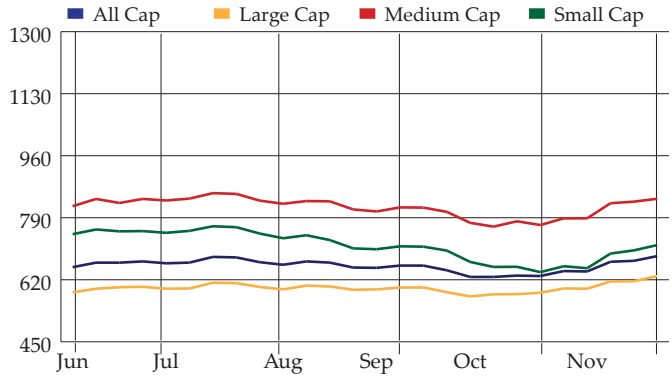
REDmoney Asia ex. Japan *6 Months*



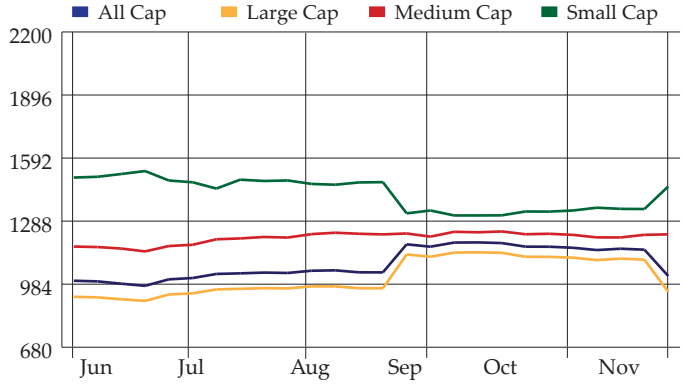
REDmoney Europe *6 Months*



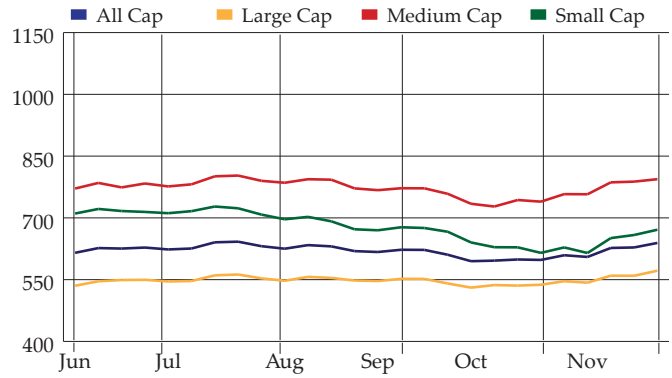
REDmoney GCC *6 Months*



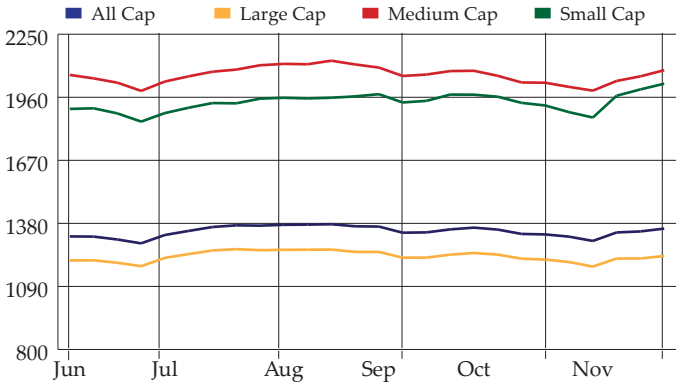
REDmoney Global *6 Months*



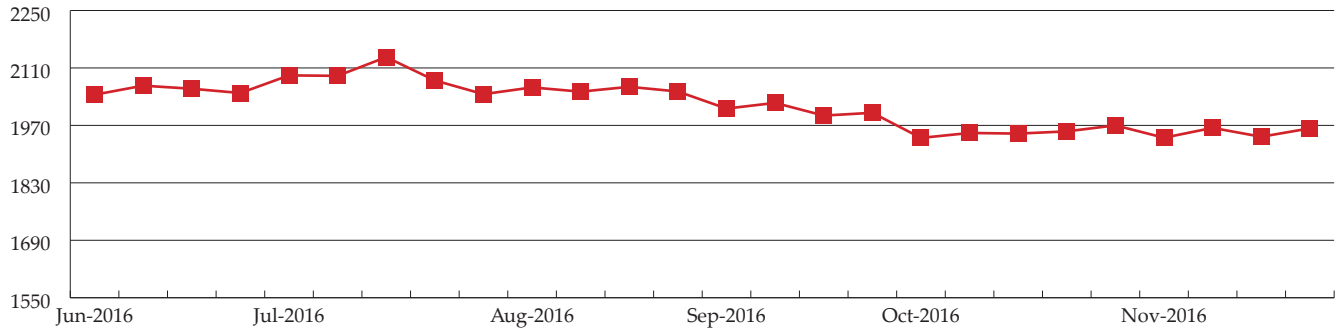
REDmoney MENA *6 Months*



REDmoney US *6 Months*

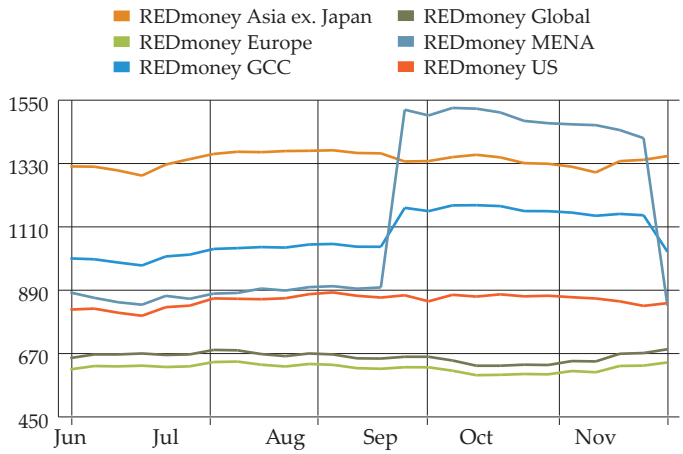


SAMI Halal Food Participation (All Cap) *6 months*

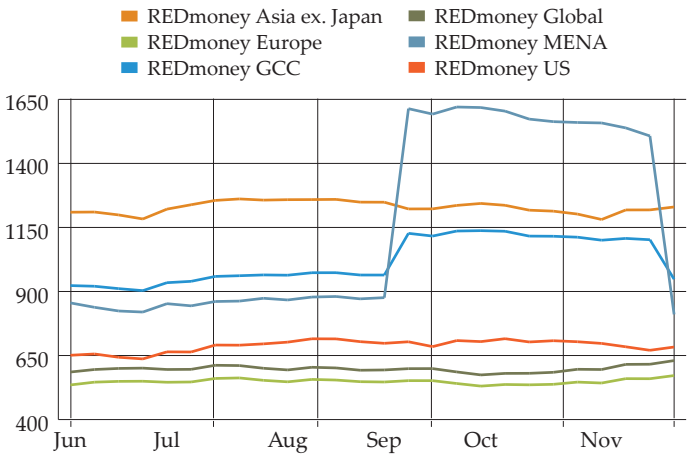


REDMONEY SHARIAH INDEXES

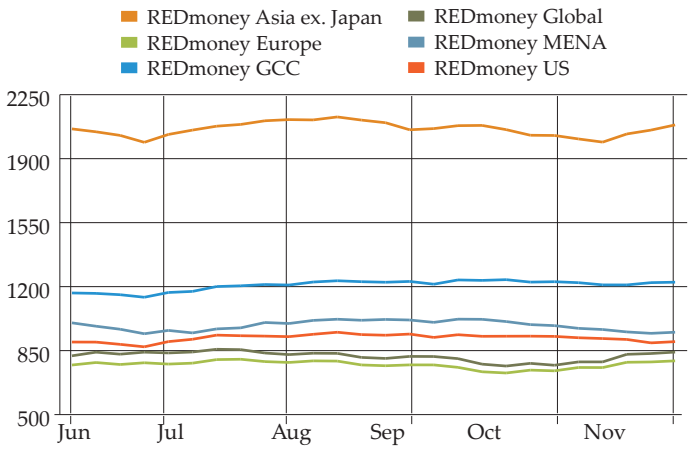
REDmoney Global Shariah Index Series (All Cap) *6 Months*



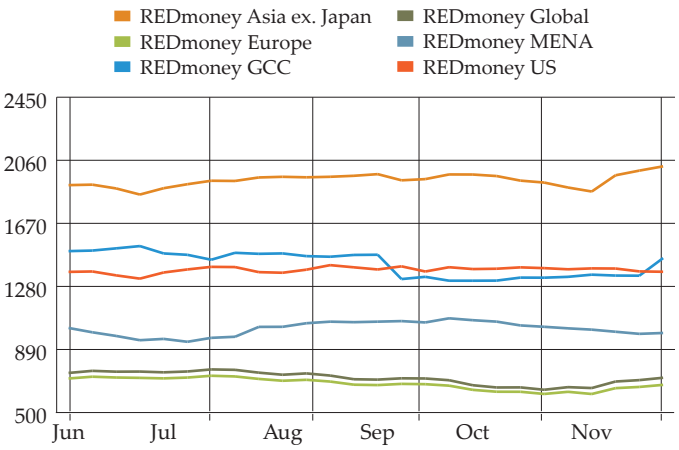
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



REDmoney Global Shariah Index Series (Medium Cap) *6 Months*



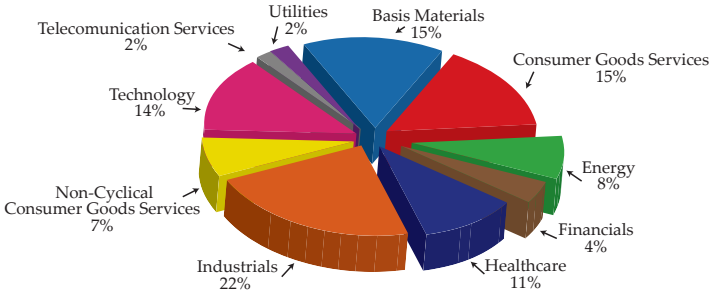
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

Once the index eligible universe is determined the underlying constituents are screened using a set of business and financial Shariah guidelines.



The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau in Jeddah, Saudi Arabia.

The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

IdealRatings™ is the leading provider of Shariah investment decision support tools to investors globally, including asset managers, brokers, index providers, and banks to empower them to develop, manage and monitor Shariah investment products and Shariah compliant funds. IdealRatings is headquartered in San Francisco, California. For more information about IdealRatings visit: www.idealratings.com

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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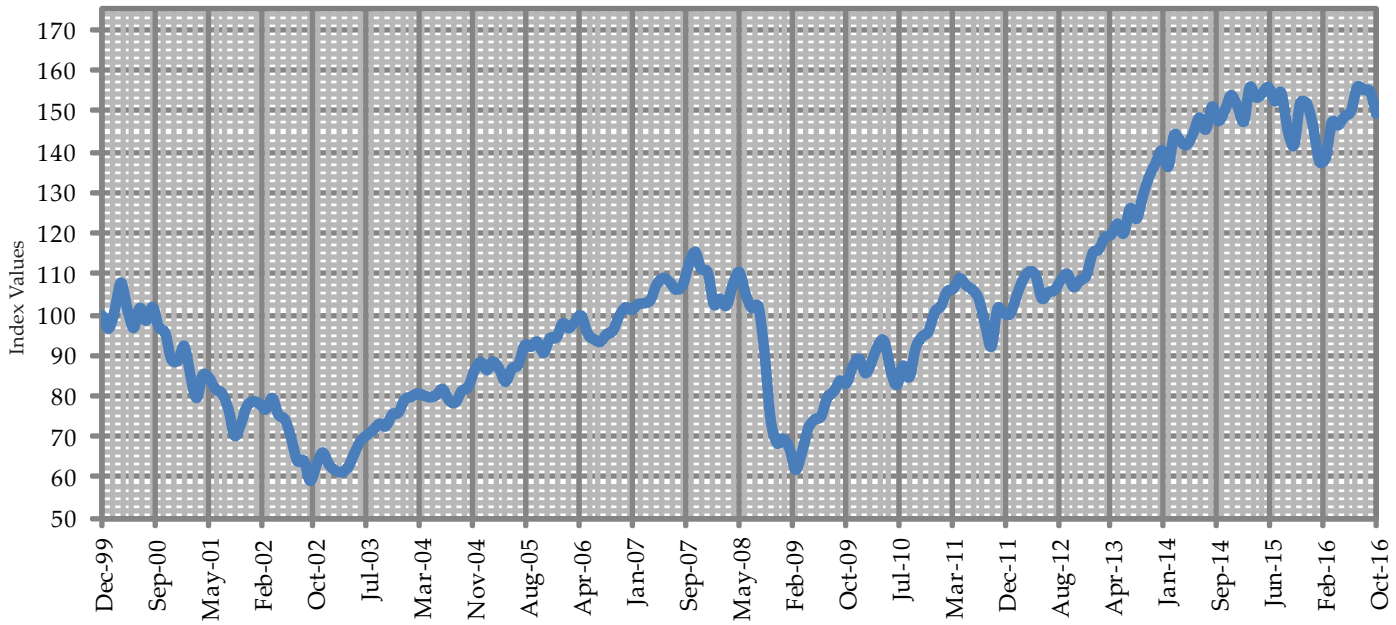
Andrew Morgan
Managing Director, REDmoney Group

Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

EUREKAHEDGE FUNDS TABLES

Eurekahedge North America Islamic Fund Index



Top 10 Monthly Returns for Developed Markets Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Rasmala Trade Finance	Rasmala Investment Bank	0.43	Cayman Islands
2	Pacific Dana Dividen	Pacific Mutual Fund	0.33	Malaysia
3	Mashreq Al-Islami Income - Class B	Mashreq Capital (DIFC)	0.16	UAE
4	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.15	Saudi Arabia
5	Watani KD Money Market	National Bank of Kuwait	0.04	Cayman Islands
6	Watani USD Money Market	National Bank of Kuwait	0.01	Cayman Islands
7	Oasis Crescent Balanced Stable of Funds	Oasis Crescent Management Company	-1.56	South Africa
8	Emirates Islamic Global Balanced - Class A USD	Emirates NBD Asset Management	-1.66	Jersey
9	CIMB Islamic Greater China Equity	UOB Asset Management	-1.69	Malaysia
10	WSF Global Equity - USD I	Cogent Asset Management	-1.86	Guernsey
	Eurekahedge Islamic Fund Index		**(0.56)**	

Based on 44.44% of funds which have reported October 2016 returns as at the 28th November 2016

Top 10 Monthly Returns for Emerging Markets

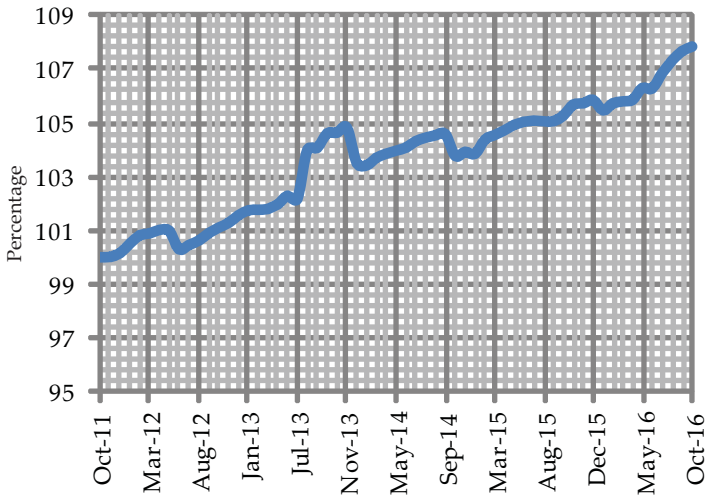
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Saudi Companies	The Saudi Investment Bank	7.44	Saudi Arabia
2	Sanabel	HC Securities & Investment	7.04	Egypt
3	Al Rajhi Saudi Equity	Al Rajhi Bank	6.05	Saudi Arabia
4	SEDCO Capital GCC Equities	SEDCO Capital	4.76	Luxembourg
5	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	4.06	UAE
6	Osool & Bakheet Saudi Trading Equity	Bakheet Investment Group	3.58	Saudi Arabia
7	Al Rajhi GCC Equity	Al Rajhi Bank	3.15	Saudi Arabia
8	Emirates MENA Opportunities - Class A USD	Emirates NBD Asset Management	2.66	Jersey
9	CIMB Islamic Small Cap	CIMB-Principal Asset Management	2.18	Malaysia
10	Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	1.64	Indonesia
	Eurekahedge Islamic Fund Index		**4.26**	

Based on 63.27% of funds which have reported October 2016 returns as at the 28th November 2016

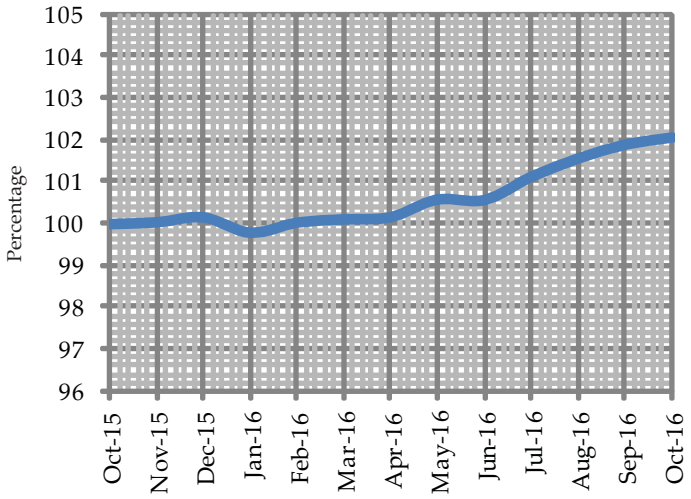
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, global investing (which would focus on funds investing with global mandate instead of a specific country or geographical region), fund of funds, real estate as well as the Sortino ratio. Each table covering the duration, region, asset class and ratio will be featured on a five-week rotational basis.

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Fund Money Market by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.37	Pakistan
2	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	1.25	Pakistan
3	PNM Amanah Syariah	PNM Investment Management	0.92	Indonesia
4	Manulife Investment Al-Ma'mun	Manulife Asset Management Services	0.81	Malaysia
5	KAF Dana al-Iddikhar	KAF Investment Funds	0.80	Malaysia
6	Kenanga I-Enhanced Cash	Kenanga Investors	0.77	Malaysia
7	Kenanga Islamic Money Market	Kenanga Investors	0.72	Malaysia
8	PB Islamic Cash Plus	Public Mutual	0.72	Malaysia
9	Public Islamic Money Market	Public Mutual	0.71	Malaysia
10	PB Islamic Cash Management	Public Mutual	0.69	Malaysia
	Eurekahedge Islamic Fund Index		**0.92**	

Based on 91.30% of funds which have reported October 2016 returns as at the 28th November 2016

Top 10 Islamic Fund Fixed Income by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	MAA Takaful Shariah Income	Zurich Takaful Malaysia	2.54	Malaysia
2	MAA Takaful Shariah Flexi	Zurich Takaful Malaysia	2.43	Malaysia
3	MNC Dana Syariah	MNC Asset Management	2.18	Indonesia
4	Libra AsnitaBond	Libra Invest	1.90	Malaysia
5	PB Islamic Bond	Public Mutual	1.80	Malaysia
6	Public Islamic Bond	Public Mutual	1.69	Malaysia
7	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.66	Pakistan
8	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	1.52	Pakistan
9	CIMB Islamic Sukuk	CIMB-Principal Asset Management	1.35	Malaysia
10	Meezan Islamic Income	Al Meezan Investment Management	1.22	Pakistan
	Eurekahedge Islamic Fund Index		**0.69**	

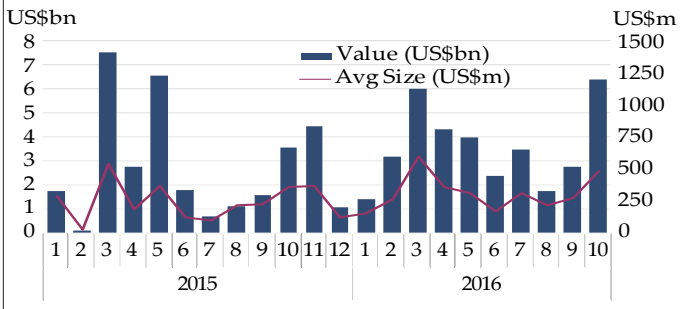
Based on 88.89% of funds which have reported October 2016 returns as at the 28th November 2016

Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

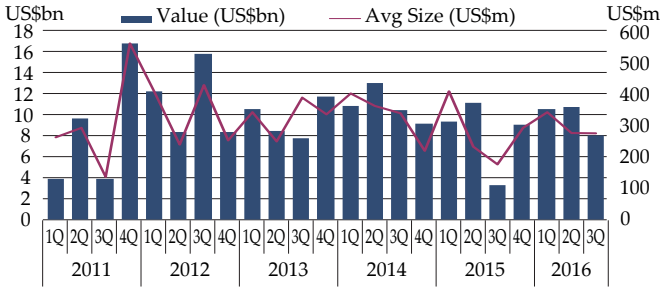
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
23rd Nov 2016	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
31st Oct 2016	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	357	HSBC, CIMB Group
25th Oct 2016	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Foreign market public issue	500	Standard Chartered Bank, Kuwait Finance House, Arab Banking, Dubai Islamic Bank, Emirates NBD, QInvest, Noor Bank
24th Oct 2016	Celcom Networks	Malaysia	Sukuk	Domestic market public issue	133	HSBC, CIMB Group
20th Oct 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	120	AmInvestment Bank
18th Oct 2016	Ahli United Bank	Bahrain	Sukuk	Euro market public issue	200	Credit Suisse, Citigroup, Credit Agricole
12th Oct 2016	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	BNP Paribas, HSBC, CIMB Group, Citigroup
12th Oct 2016	Cagamas	Malaysia	Sukuk	Domestic market private placement	139	CIMB Group
12th Oct 2016	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,079	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank
5th Oct 2016	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
4th Oct 2016	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
26th Sep 2016	Edaran SWM Sdn	Malaysia	Sukuk	Domestic market public issue	194	CIMB Group, Hong Leong Financial Group
22nd Sep 2016	UMW Holdings	Malaysia	Sukuk	Domestic market public issue	169	Maybank, CIMB Group
8th Sep 2016	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
7th Sep 2016	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	Mashreqbank, Standard Chartered Bank, Arab Banking, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Union National Bank, Emirates NBD, Noor Bank
1st Sep 2016	SIB Sukuk Co III	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
30th Aug 2016	EI Sukuk	UAE	Sukuk	Euro market public issue	250	Standard Chartered Bank, Arab Banking, Dubai Islamic Bank, Emirates NBD
19th Aug 2016	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
9th Aug 2016	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	368	Standard Chartered Bank
29th Jul 2016	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	RHB Capital, Maybank

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.5	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
2	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,242	5.9	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
3	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	5.2	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
4	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,600	4.2	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD
5	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.9	JPMorgan, HSBC, Maybank, CIMB Group
6	Etihad Airways	UAE	Sukuk	Euro market public issue	1,455	3.8	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
7	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.6	RHB Capital, Maybank
8	DP World	UAE	Sukuk	Euro market public issue	1,200	3.1	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
9	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	1,192	3.1	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
10	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	2.9	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
11	EI Sukuk	UAE	Sukuk	Euro market public issue	1,007	2.6	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
12	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
12	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, Emirates NBD
14	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	2.6	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
15	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.4	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
16	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.3	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
17	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Euro market public issue	850	2.2	HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Kuwait Projects, QInvest, Noor Bank, Standard Chartered Bank, Arab Banking, Dubai Islamic Bank
18	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	2.0	Kuwait Finance House
18	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	2.0	Dubai Islamic Bank
20	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	748	2.0	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
21	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.7	Emirates NBD
22	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.4	Kuwait Projects
23	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.3	QInvest
23	SIB Sukuk Co III	UAE	Sukuk	Euro market public issue	500	1.3	Noor Bank
23	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank
23	Emirate of Sharjah	UAE	Sukuk	Euro market public issue	500	1.3	Arab Banking
23	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.3	Dubai Islamic Bank
23	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.3	Deutsche Bank, HSBC, CIMB Group
29	Hilal Services	Saudi Arabia	Sukuk	Euro market private placement	500	1.3	Mizuho, Standard Chartered Bank, HSBC, Arab Banking, National Bank of Kuwait, First Gulf Bank, Dubai Islamic Bank, SG Corporate & Investment Banking, CIMB Group, Emirates NBD, Warba Bank, Noor Bank
30	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	497	1.3	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
	Total				**38,286**	**100**	

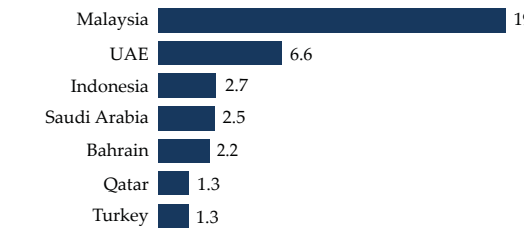
DEALOGIC LEAGUE TABLES

Top Managers of Sukuk *12 Months*

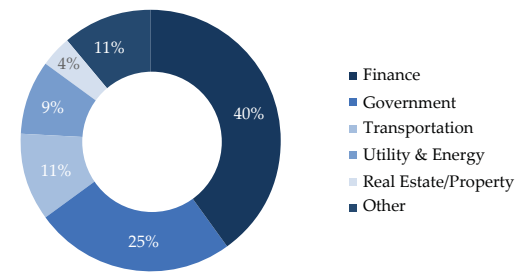
	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,345	38	14.0
2	Maybank	4,571	32	11.9
3	Standard Chartered Bank	3,971	21	10.4
4	RHB Capital	3,257	34	8.5
5	AmInvestment Bank	2,525	22	6.6
6	HSBC	2,451	19	6.4
7	Dubai Islamic Bank	1,751	15	4.6
8	Emirates NBD	1,456	14	3.8
9	JPMorgan	1,452	6	3.8
10	Citigroup	1,146	6	3.0
11	National Bank of Abu Dhabi	1,117	7	2.9
12	Deutsche Bank	987	4	2.6
13	Arab Banking Corporation	854	8	2.2
14	Noor Bank	634	8	1.7
15	BNP Paribas	588	2	1.5
16	First Gulf Bank	542	5	1.4
17	Credit Suisse	467	2	1.2
18	Kenanga Investment Bank	453	6	1.2
19	Abu Dhabi Islamic Bank	386	3	1.0
20	Hong Leong Financial Group	367	4	1.0
21	Affin Investment Bank	365	3	1.0
22	National Bank of Kuwait	311	3	0.8
23	DBS	253	3	0.7
24	Sharjah Islamic Bank	226	3	0.6
25	OCBC	224	6	0.6
26	Natixis	214	1	0.6
26	Gulf International Bank	214	1	0.6
28	Kuwait Finance House	206	4	0.5
29	Barclays	203	2	0.5
30	Mashreqbank	183	2	0.5
	Total	**38,286**	**127**	**100**

Sukuk Volume by Currency US$ (billion) *12 Months*

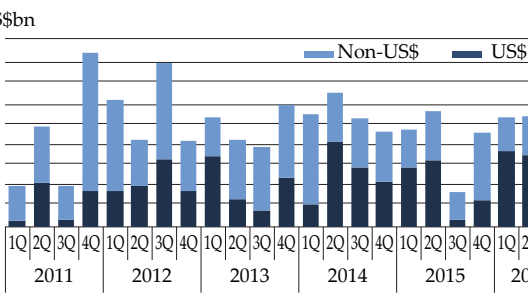
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	China Development Bank	821	2	9.0
2	Al Rajhi Capital	663	2	7.2
3	Banque Saudi Fransi	579	4	6.3
4	Alinma Bank	550	2	6.0
5	HSBC	497	3	5.4
5	Samba Capital & Investment Management	497	3	5.4
7	National Commercial Bank	491	3	5.4
8	Mitsubishi UFJ Financial Group	377	3	4.1
9	Aga Khan Fund for Economic Development	354	2	3.9
10	Standard Chartered Bank	329	3	3.6

Top Islamic Finance Related Project Financing Legal Advisors Ranking *12 Months*

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	3,197	3	23.6
2	Latham & Watkins	2,282	2	16.9
3	Baker & McKenzie	1,365	1	10.1
4	Adnan Sundra & Low	1,361	1	10.0
4	Zaid Ibrahim & Co	1,361	1	10.0
6	Norton Rose Fulbright	915	1	6.8
7	Clifford Chance	758	1	5.6
7	White & Case	758	1	5.6
9	Anjarwalla Collins & Haidermota	172	2	1.3
9	Haidermota & Co	172	2	1.3
9	Lincolns Law Chamber	172	2	1.3
9	Linklaters	172	2	1.3
9	Mohsin Tayebaly & Co	172	2	1.3

DEALOGIC LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking *12 Months*

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	969	5	6.4
2	Banque Saudi Fransi	939	4	6.2
3	Saudi National Commercial Bank	933	4	6.1
4	Abu Dhabi Islamic Bank	912	7	6.0
5	Dubai Islamic Bank	684	9	4.5
6	China Development Bank	621	1	4.1
7	Emirates NBD	615	7	4.0
8	SABB	559	5	3.7
9	Noor Bank	545	8	3.6
10	Mashreqbank	489	5	3.2
11	Abu Dhabi Commercial Bank	486	5	3.2
12	Al Rajhi Capital	366	2	2.4
13	HSBC	345	5	2.3
14	Maybank	338	1	2.2
14	CIMB Group	338	1	2.2
16	Standard Chartered Bank	327	5	2.2
17	Union National Bank	308	3	2.0
18	AKFED	292	2	1.9
19	National Bank of Abu Dhabi	286	4	1.9
20	Alinma Bank	260	2	1.7
21	Riyad Bank	258	2	1.7
22	Arab Banking Corporation	251	4	1.7
23	Credit Agricole	249	3	1.6
24	Bank Albilad	229	1	1.5
25	Al Hilal Bank	225	2	1.5
26	Gulf International Bank	193	3	1.3
27	Natixis	175	3	1.2
28	BBK	174	3	1.2
29	EBRD	170	1	1.1
30	National Bank of Bahrain	159	2	1.0

Top Islamic Finance Related Financing Mandated Lead Arrangers *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,626	7	18.9
2	Mashreqbank	1,050	3	12.2
3	Dubai Islamic Bank	488	4	5.7
4	Emirates NBD	474	3	5.5
5	Noor Bank	421	4	4.9
6	Maybank	338	1	3.9
6	CIMB Group	338	1	3.9
8	Abu Dhabi Commercial Bank	283	1	3.3
9	Arab Banking Corporation	275	4	3.2
10	Saudi National Commercial Bank	267	1	3.1

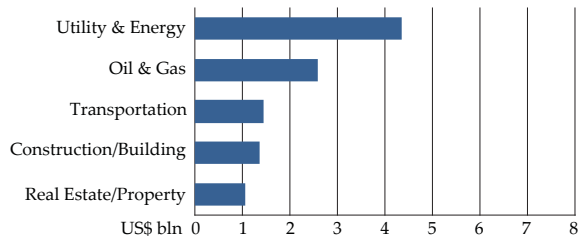
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
15th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700
27th Jun 2016	Rabigh Electricity	Saudi Arabia	2,686
20th Sep 2016	Aluminium Bahrain	Bahrain	1,500
19th Sep 2016	Saudi Electricity	Saudi Arabia	1,333
9th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138
15th Jun 2016	PNB Jersey	Malaysia	889
21st Dec 2015	Engro Powergen	Pakistan	851
29th Aug 2016	Atlantis The Palm	UAE	850
11th Dec 2015	Cititower	Malaysia	751
29th Nov 2015	Gulf Marine Services	UAE	620

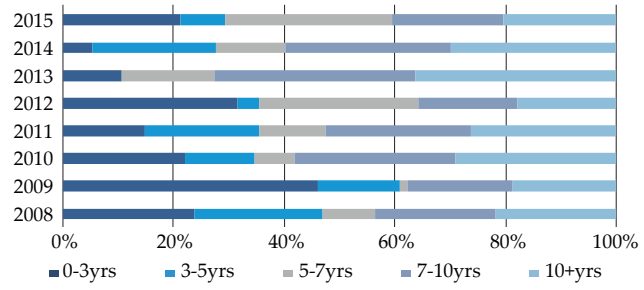
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,406	6	35.5
2	UAE	3,986	15	26.2
3	Pakistan	1,548	3	10.2
4	Bahrain	1,188	2	7.8
5	Malaysia	959	2	6.3
6	Jordan	550	2	3.6
7	Egypt	475	3	3.1
8	Qatar	460	1	3.0
9	India	368	1	2.4
10	Turkey	204	2	1.3

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Mayumi Ohira (Media Relations)
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REDMONEY EVENTS

FEBRUARY 2017		
22nd	KL Awards Dinner	Kuala Lumpur, Malaysia
27th	Iran Dialogue	Tehran, Iran
28th	Dubai Awards Dinner	Dubai, the UAE
MARCH 2017		
6th	IFN Oman Forum	Muscat, Oman
8th	IFN Jordan Dialogue	Amman, Jordan
14th	CIS Forum	Astana, Kazakhstan
22nd	China OIC Forum	Beijing, China
28th	IFN Morocco Forum	Casablanca, Morocco
APRIL 2017		
10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia
12th	IFN FinTech Forum	Kuala Lumpur, Malaysia
MAY 2017		
16th	IFN UK Forum	London, the UK
JULY 2017		
27th	IFN Indonesia Forum	Jakarta, Indonesia
SEPTEMBER 2017		
14th	IFN Turkey Forum	Istanbul, Turkey
18th	IFN Europe Dialogue	Luxembourg
19th	IFN Investor Forum	Luxembourg
OCTOBER 2017		
TBC	Africa Islamic Finance Forum	TBC
16th	Sovereign Sukuk Dialogue	Washington DC, the US
18th	IFN US Forum	New York, the US
TBC	IFN Pakistan Forum	Lahore, Pakistan
NOVEMBER 2017		
19th	IFN Kuwait Forum	Kuwait City, Kuwait
22nd	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

Islamic Finance *news*

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Published By: REDmoney

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